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Is ARM The Canary In The $NVDA Coal Mine?

Dario

4–5 minutes

Newspapers have been cheering up the “deal” this week where Softbank managed Vision Fund successfully sold ARM 25% it owned to… Softbank.

In September 2020, $NVDA agreed to buy the whole ARM from Softbank at a $40bn valuation paying in cash and shares (NVIDIA), but it preferred to lose $1.25bn cash of penalties rather than completing the deal in February 2022. During the same period, $NVDA stock price raised from 128 to 250, applying the same multiples used when the deal was sealed it implied a ~$65bn ARM valuation.

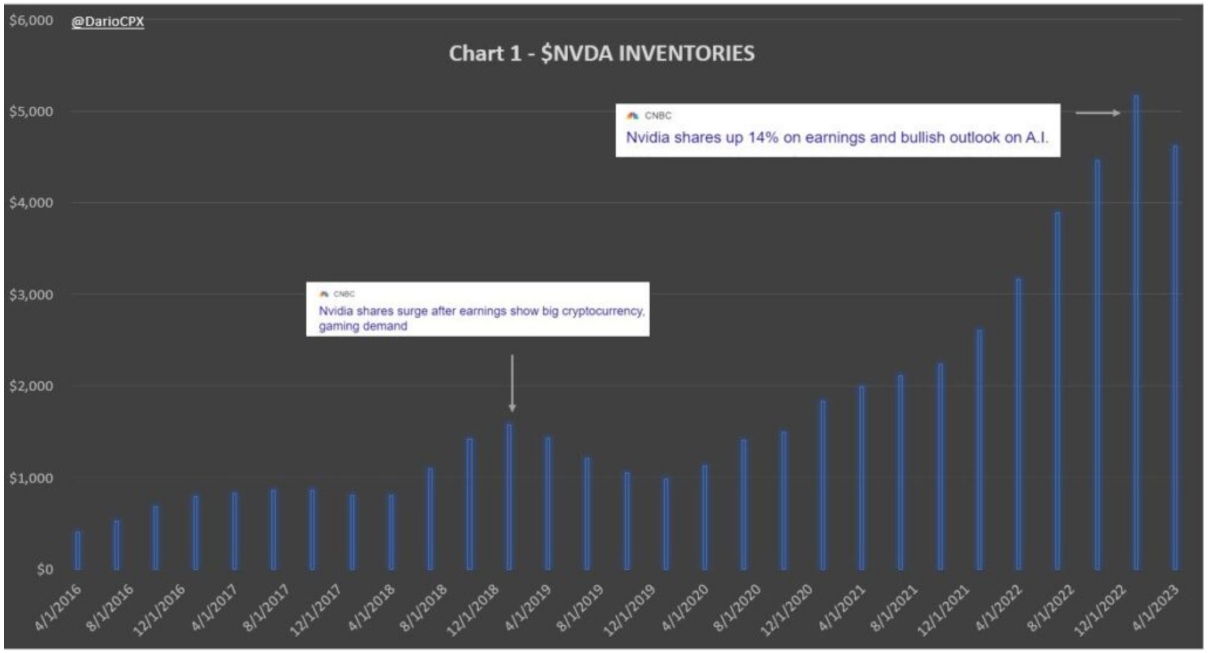
How the hell did $NVDA let go of such a “good deal” where, on paper, they already made a $25bn profit?! The company’s official excuse was antitrust concerns… but it doesn't take a genius to figure Softbank busted the deal since they wanted to take home more money (NVIDIA).

However , Softbank failed to sell ARM due to #stocks plunge after February 2022 and, ironically, Softbank and $NVDA were back at the negotiating table with $NVDA rumoured to be an anchor investor in ARM's IPO one year later… ft.com

Here is the truth, buried in the FT article, "One person familiar with the discussions said Nvidia wanted to come in at a share price that would put Arm's total value at $35bn to $40bn, while Arm wanted to be closer to $80bn".

Since February 2023, NVDA's stock price increased from 186$ to 433$ on Friday while Softbank acquired Vision Fund stake at a 64bn valuation when in February ARM was marketing itself at 80bn. Hold on, why did ARM not benefit from the #AI #FOMO breakneck run at all?!

Here is why, the narrative fuelling #semiconductor #tech companies #FOMO had little to do with #AI! Every time $NVDA chip inventories build up, "coincidentally" a new "narrative" surfaces and the company can then unload its unsold products. When the #gaming one faded, they moved on to #crypto mining and then recently to #AI (chart 1). However, under the hood, insiders obviously know it's all a bunch of BS. As a matter of fact, at the negotiating table, $NVDA's behavior reflects insiders realistic expectations on the market real value in stark contrast to what they claim publicly.



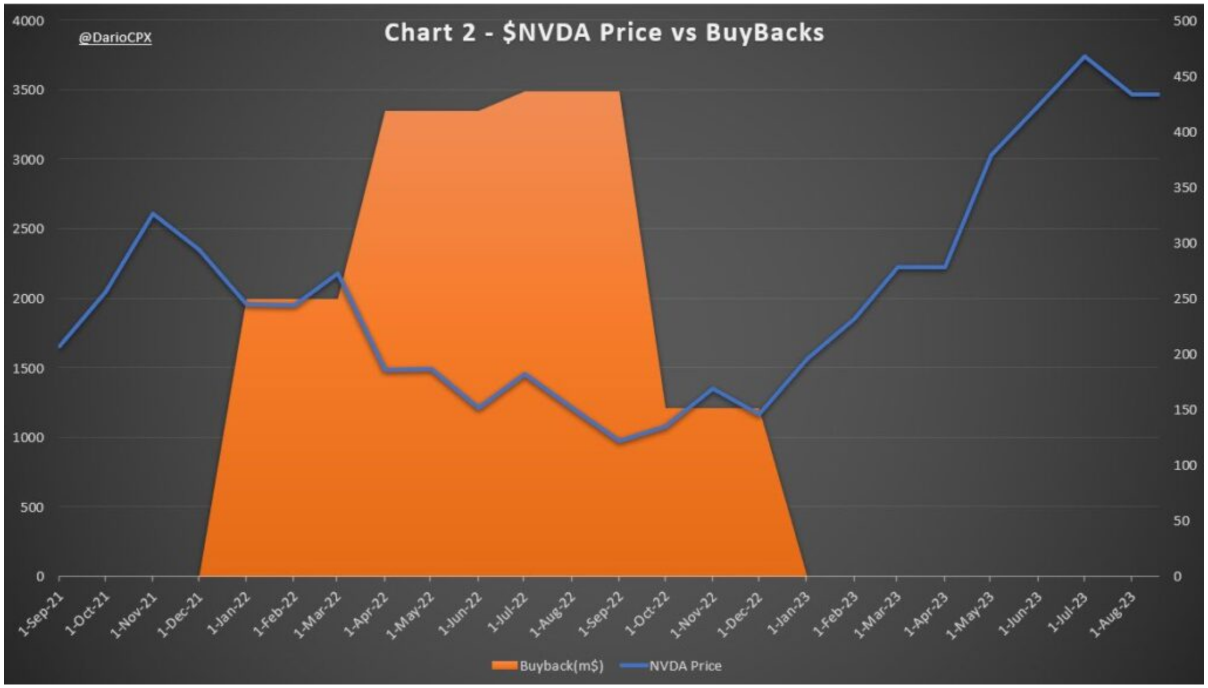
Nvidia shares surge after earnings show big cryptocurrency, gaming demand

Nvidia shares up 14% on earnings and bullish outlook on A.I.

Applying some quick math, using the multiples $NVDA's own management applied to ARM, their stock was worth ~$125 vs. $183 market price in February 2023. Fast forward to today, with ARM agreeing to a lower valuation than six months ago, then what's all the benefit of the #AI narrative applied to chip making #stocks? Z-E-R-O

How did $NVDA's stock, which "realistically" isn't worth more than $100-$125, get to where it's trading today?

$NVDA's timely buybacks + traders gamma squeezing to front run it sending the price to nosebleed levels to then cash out at inflated valuations. Were $NVDA and market whales coordinating? Who knows, but… as a matter of fact, $NVDA's buybacks timing was "perfect"… Bloomberg (chart 2)



Of course, in bull bubble markets, all is legal until it's not… As far as I am concerned the end of this story is already written, and $NVDA will need to put on a hell of a show to keep this whole house of cards from collapsing this week when they will announce their last quarter results.

Here is my view. The companies who will benefit from #AI won't be chipmakers since the computing power available to develop it is already way more than what's needed. Those that will thrive will be the ones who will manage to leverage on the technology to deliver meaningful cost savings replacing current “iterative” jobs in the service sector with virtual automation in the same way repetitive human factory jobs have been replaced by robots.

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$NVDA (PONZI) “LIES” UNDER $NVDA NOSE

Dario

~4 minutes

I know a couple of things here and there about running a company, from work and direct experience. One thing is how easy it is to “grow” your revenues when your clients aren’t going to pay for the goods you deliver. Another is to understand whether revenues are real or not.

$NVDA revenues grew 85% comparing the first 9 months of 2022 with the same period in 2023 to ~39bn$. Wow, how cool! Well.. very nice if it weren’t for a couple of red flags.

🚩 **If $NVDA salespeople are doing such a spectacular job, why aren’t their commissions rising in line with the revenues?**

“Sales, General & Administrative” costs for $NVDA increased only 7% in the same timeframe.

Wait, maybe the Salespeople are being paid in $NVDA #stocks? Not according to $NVDA, considering that Stock-Based compensation expenses related to SG&A increased from 498m$ to 633m$ in the period, that's only 27% compared to an 85% increase in sales still! 🤷‍♂️
Furthermore, it accounts for the whole growth into their SG&A items.

Wait, are you telling me that $NVDA turnover almost doubled, and their administration expenses remained unchanged? Ahaha… suuuure!

Anyhow, if sales aren't making the sale, then who's doing that? The management?

🚩 **If $NVDA is doing so well, why did their "Accounts Receivable" explode by a whopping 1,637% to 4.5bn$ in the same timeframe between 2022 and 2023 periods we are examining.**

Isn't it because you are selling things clients aren't paying for?

🚩 **If $NVDA is doing so well, why did their inventory remain the same? When you sell so many goods and keep booking stellar future orders, there should be a physiological increase in inventory, right? Well, not in the case of $NVDA apparently.**

$NVDA inventory stood at 4,454m$ in the first 9 months of 2022. Where is it now? 4,779m$. That's only a 7% increase.

Wait, didn’t we just see a 7% increase in SG&A costs?! Ahah, this smells so much of made-up numbers.

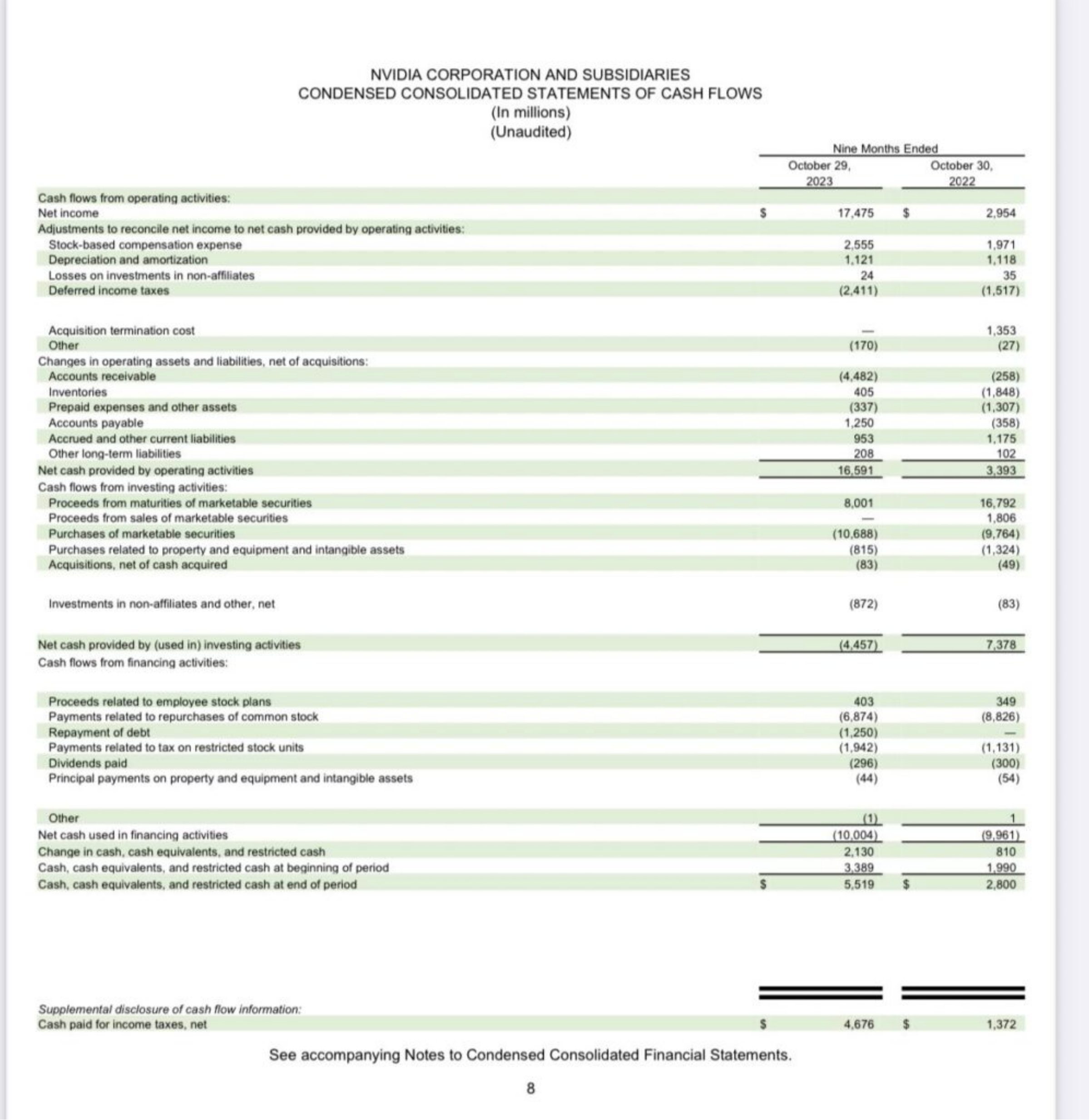
🚩 **People familiar with the chip industry know that companies pay royalties to 3rd parties for every chip they sell due to the jungle of IP patents and copyrights that characterize the industry. This item is a constant and highly correlated with revenues.**

Now, despite $NVDA expecting exponential growth in its revenues for orders already in the bag, they reported LOWER “Prepaid Royalties” in the first 9 months of 2023 than the same period in 2022, precisely 369m$ vs 393m$.

What I find quite hilarious reading through $NVDA financials is that they use a sneaky trick to fool people’s eyes. Depending on what’s more convenient, they switch the comparison of the data inconsistently against either Dec-22 or Sept-22 throughout the report (so I had to dig out a few numbers from last year’s 10-Q).

By the way, in the same $AAPL fashion, $NVDA is such a good Fixed Income trader as well. Actually, they are even better than Tim-Cooking because he still reports some ~11bn$ of losses in the “Other Comprehensive Income” while $NVDA (apparently) never lost a penny despite holding only 3bn$ in cash and all the remaining 15bn$ between Corporate Bonds and US Treasuries!

If, after reading all I wrote, you still feel confident $NVDA is a safe, sound, and legit investment, then I really did a bad job today.



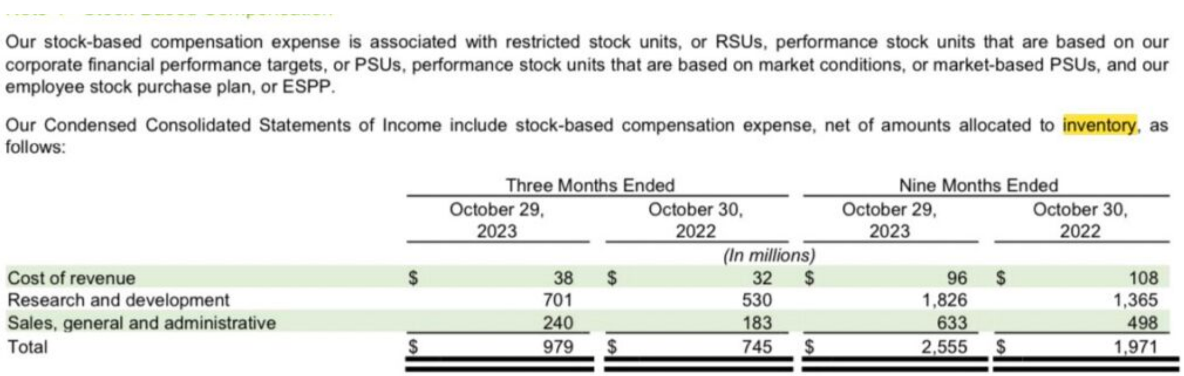
NVIDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended	
	October 29, 2023	October 30, 2022
Cash flows from operating activities:		
Net income	$ 17,475	$ 2,954
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	2,555	1,971
Depreciation and amortization	1,121	1,118
Losses on investments in non-affiliates	24	35
Deferred income taxes	(2,411)	(1,517)
Acquisition termination cost	—	1,353
Other	(170)	(27)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,482)	(258)
Inventories	405	(1,848)
Prepaid expenses and other assets	(337)	(1,307)
Accounts payable	1,250	(358)
Accrued and other current liabilities	953	1,175
Other long-term liabilities	208	102
Net cash provided by operating activities	16,591	3,393
Cash flows from investing activities:		
Proceeds from maturities of marketable securities	8,001	16,792
Proceeds from sales of marketable securities	—	1,806
Purchases of marketable securities	(10,688)	(9,764)
Purchases related to property and equipment and intangible assets	(815)	(1,324)
Acquisitions, net of cash acquired	(83)	(49)
Investments in non-affiliates and other, net	(872)	(83)
Net cash provided by (used in) investing activities	(4,457)	7,378
Cash flows from financing activities:		
Proceeds related to employee stock plans	403	349
Payments related to repurchases of common stock	(6,874)	(8,826)
Repayment of debt	(1,250)	—
Payments related to tax on restricted stock units	(1,942)	(1,131)
Dividends paid	(296)	(300)
Principal payments on property and equipment and intangible assets	(44)	(54)
Other	(1)	1
Net cash used in financing activities	(10,004)	(9,961)
Change in cash, cash equivalents, and restricted cash	2,130	810
Cash, cash equivalents, and restricted cash at beginning of period	3,389	1,990
Cash, cash equivalents, and restricted cash at end of period	$ 5,519	$ 2,800
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	$ 4,676	$ 1,372

See accompanying Notes to Condensed Consolidated Financial Statements.

8

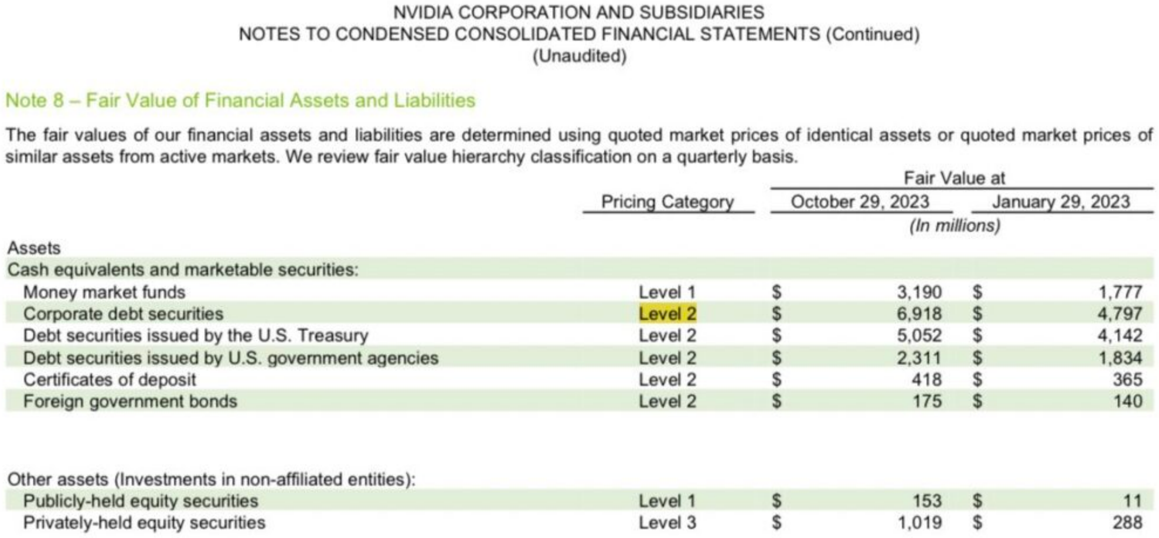
Note 4 - Stock-Based Compensation



Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our employee stock purchase plan, or ESPP.

Our Condensed Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

	Three Months Ended		Nine Months Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
		(In millions)		
Cost of revenue	$ 38	$ 32	$ 96	$ 108
Research and development	701	530	1,826	1,365
Sales, general and administrative	240	183	633	498
Total	$ 979	$ 745	$ 2,555	$ 1,971

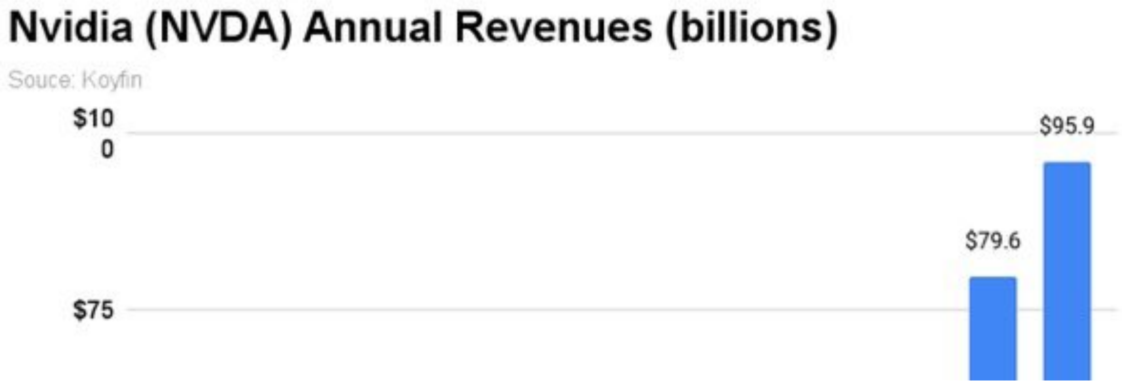


NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 8 – Fair Value of Financial Assets and Liabilities

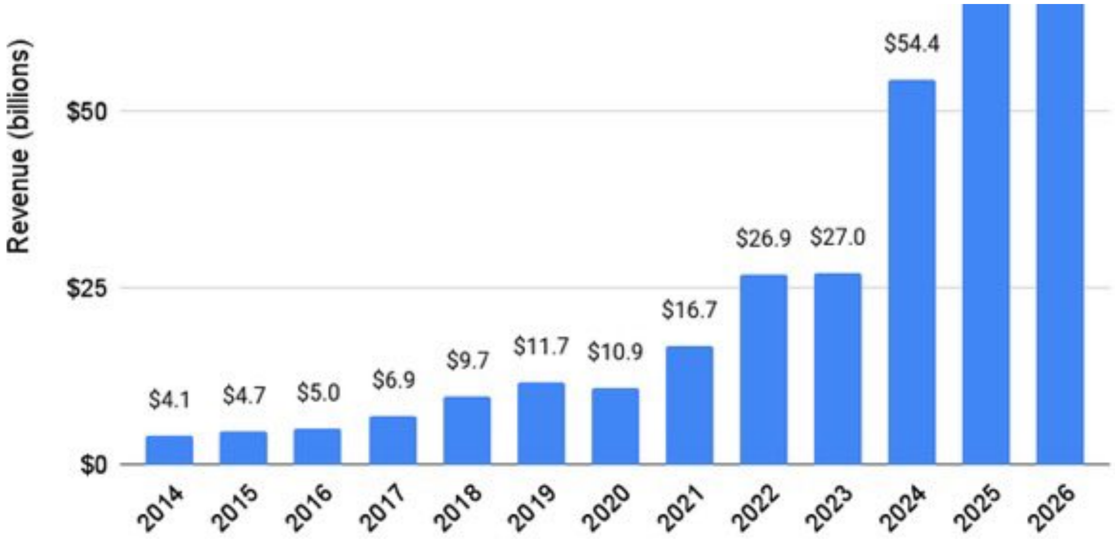
The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We review fair value hierarchy classification on a quarterly basis.

	Pricing Category	Fair Value at October 29, 2023	Fair Value at January 29, 2023
		(In millions)	
Assets			
Cash equivalents and marketable securities:			
Money market funds	Level 1	$ 3,190	$ 1,777
Corporate debt securities	Level 2	$ 6,918	$ 4,797
Debt securities issued by the U.S. Treasury	Level 2	$ 5,052	$ 4,142
Debt securities issued by U.S. government agencies	Level 2	$ 2,311	$ 1,834
Certificates of deposit	Level 2	$ 418	$ 365
Foreign government bonds	Level 2	$ 175	$ 140
Other assets (Investments in non-affiliated entities):			
Publicly-held equity securities	Level 1	$ 153	$ 11
Privately-held equity securities	Level 3	$ 1,019	$ 288



Nvidia (NVDA) Annual Revenues (billions)

Souce: Koyfin


Revenue (billions)
$0
$25
$50
$4.1
$4.7
$5.0
$6.9
$9.7
$11.7
$10.9
$16.7
$26.9
$27.0
$54.4
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026

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ISAAC NEWTON, A GENIUS, WOULD HAVE LOVED $NVDA

Dario

4–5 minutes

Who doesn't learn from history is doomed to repeat the same mistakes. If you combine this with out-of-control herd behaviour, then the chances to repeat past mistakes are even greater.

Right now, the number of people taking victory laps because of $NVDA is countless. "The stock is going to the moon, hence I am right", I am afraid, doesn't mean anything at all. On the contrary, if that's all you have to support your thesis, you'd better be aware that what you are truly doing is gambling, not trading. For the same reason, someone will not suddenly be better at predicting the future if they pull off a stream of 20, 30, or even 100 consecutive winning bets at the roulette table. If this actually happens, the person had better ask themselves whether the roulette is broken or rigged (unless they are the ones rigging it). Nevertheless, the streams of winning bets will end at some point.

Congratulations to everyone that made big money so far on $NVDA, but if Isaac Newton went broke, you had better learn from his mistake to avoid falling into the same trap.

Why would one of the greatest minds in history have loved $NVDA today? After you finish reading the below, you will have the answer. Just replace “South Sea” with $NVDA along the way.

The South Sea Company was established by the British Government in 1711 as a vehicle to repay creditors that financed the country during the War of Spanish Succession. How could a newly established company achieve this? The government gave South Sea a monopoly on West African trade. So, indirectly (but by design), the British were planning to repay their debt mostly through the commerce of slaves between Africa and the American continent.

Fun fact: contrary to popular belief, recent accounting documents discovered in UK archives showed that even with a monopoly, South Sea was losing money in its operations.

Isaac Newton was one of the highest earners in the UK at that time, making 2000 $GBP a year in his position of “Master of The Mint” and an additional 1000 $GBP from investment income, totalling 3000 $GBP. This put him almost in the top 0.1% (the top 10% of the top 1%, yes). It is estimated that before the bubble started, his net worth was 30,000 $GBP.

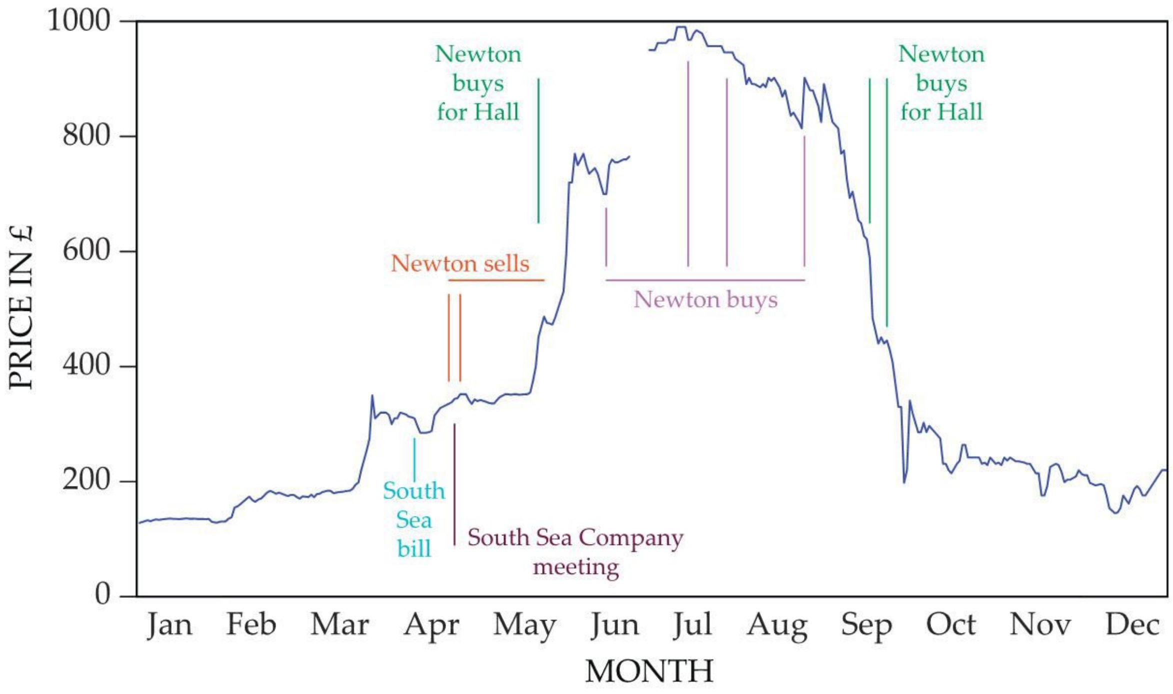
Furthermore, Newton wasn't a "retail" investor. He was well placed within the country's elite and had access to plenty of insider information. This is why he was "early" in the stock and made a whopping 20,000 $GBP in profits off it when he sold the first time. Why did he sell? According to the records, there is a chance he attended a "management presentation" of the plan the government had to expand South Sea's mandate to the management of almost all UK government debt at that time. Newton, a genius, smelled a rat and indeed cashed out.

However, South Sea continued to pay handsome profits despite the new, expanded mandate (and debt) to manage. Why? Long story short, it was a Ponzi Scheme, and South Sea was ultimately repaying old investors mostly with proceeds from issuing shares to new ones.

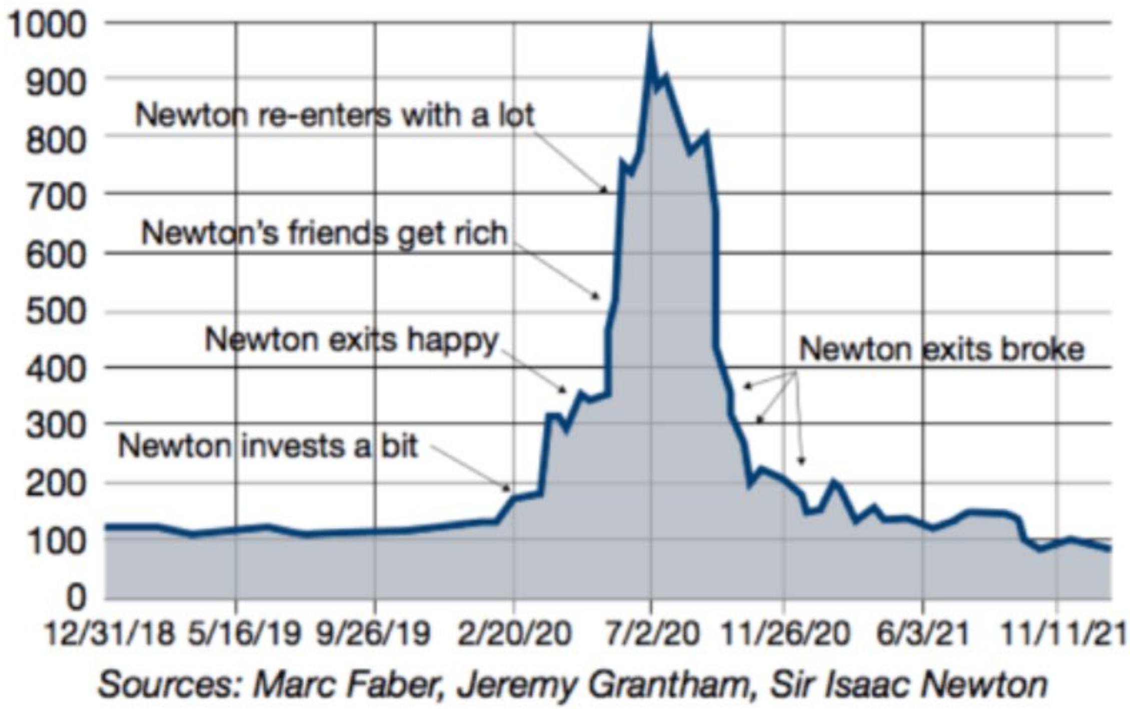
So why did not only Newton jump back in, but also invest the money of the Thomas Hall estate he was in charge of managing? Very simple, the genius started to doubt his objective assessment that was "proven wrong" by the skyrocketing price, and he felt, almost aged 80, he might not be understanding how to predict the future earnings of "innovative" businesses.

Fast forward, South Sea was a Ponzi scheme, and Newton's net worth at the end of the saga was estimated to be 20,000 $GBP. So he didn't go broke, but lost a ton of money.

Currently, there are too many people criticising the forensic accounting work many, including myself, have done. True that one person can be wrong, two can be wrong, but when many out there dig into the same thing, unearthing the same type of rubbish (and presenting evidence for it), then you'd better be careful not to repeat Isaac Newton's mistake.



South Sea Stock
December 1718–December 1721



Sources: Marc Faber, Jeremy Grantham, Sir Isaac Newton

[Read on TwitterX]()

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NVIDIA, ITS RECYCLED “#AI REVOLUTION” AND THE DARK SIDE OF IT KEPT AWAY FROM THE PUBLIC

Dario

4–5 minutes

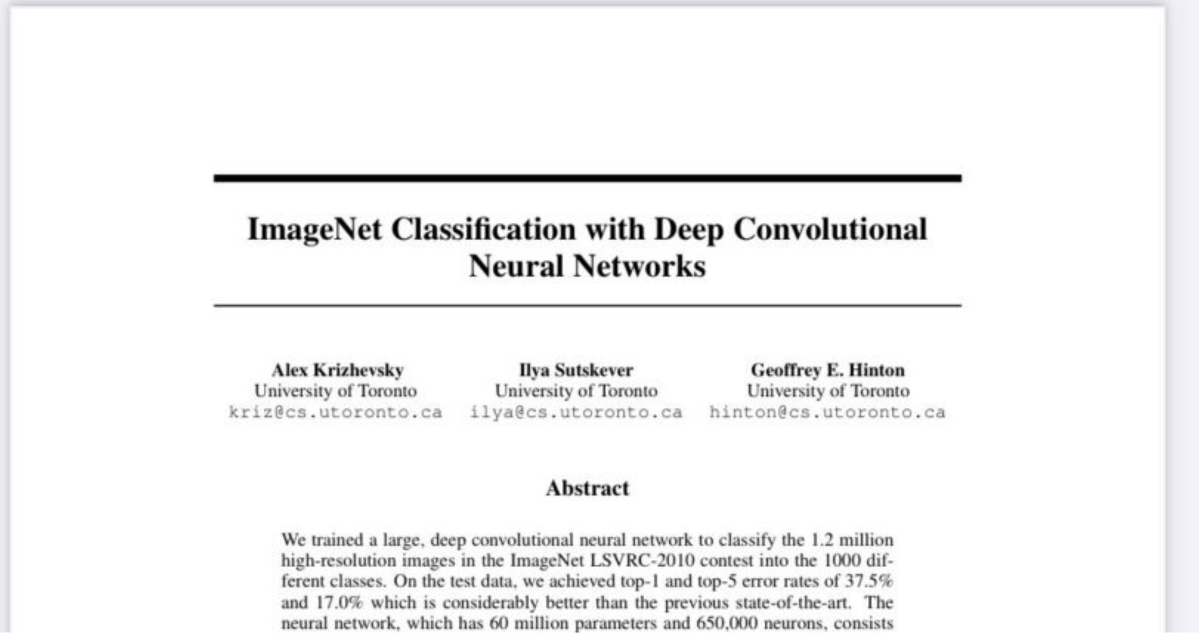
NVIDIA convinced everyone that we are just at the beginning of the #AI revolution and its GPUs will sell like hot cakes. Yes, we are at the beginning of the #AI revolution. However, NVIDIA isn’t going to be part of it as much as they (desperately) want people to believe, and I am about to tell you why.

🚩

NVIDIA, desperate for revenues growth, needed an “AI REVOLUTION”… in 2015!

For FY 2015, NVIDIA reported 5bn$ in annual revenues, a mere 7% YoY growth. By the 8th of February 2016, its stock was down from 8.24$ at the end of 2015 to 6.43$, a -22% against a -12% drop in $QQQ (yes, a forgotten era for #tech #stocks). This is when NVIDIA came across an interesting group of data scientists who were trying to launch a non-profit AI project for the benefit of humanity. The name of the project was #OpenAI.

It was no secret in Silicon Valley that NVIDIA GPUs could be used effectively for Deep Learning models since 2012 when the paper “ImageNet Classification with Deep Convolutional Neural Networks” was published (Ilya Sutskever, one of #OpenAI co-founders was one of the 3 authors). However, what was clearly missing was the “revolution” that could make #AI mainstream, and NVIDIA saw it coming with #OpenAI and its supporter at that time, our dear Elon Musk!



ImageNet Classification with Deep Convolutional Neural Networks

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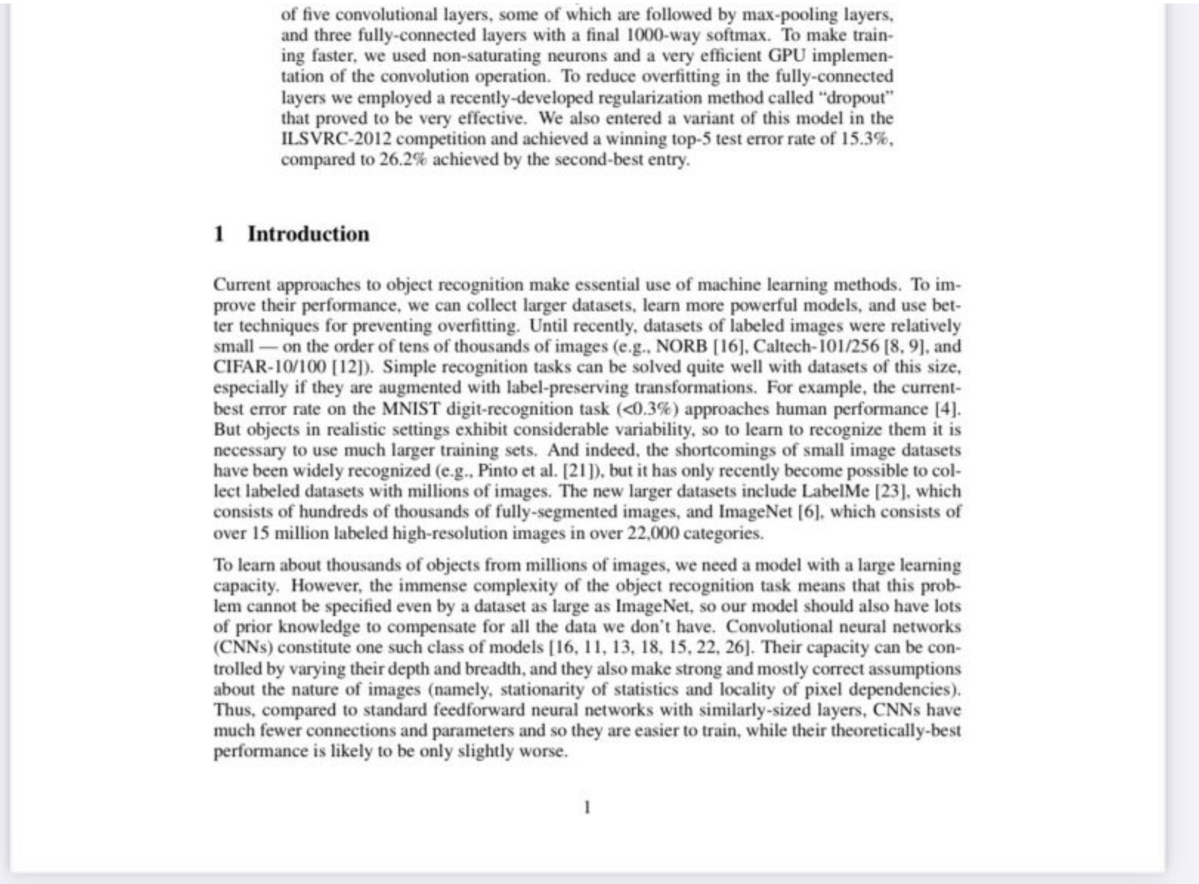
Abstract

We trained a large, deep convolutional neural network to classify the 1.2 million high-resolution images in the ImageNet LSVRC-2010 contest into the 1000 different classes. On the test data, we achieved top-1 and top-5 error rates of 37.5% and 17.0% which is considerably better than the previous state-of-the-art. The neural network, which has 60 million parameters and 650,000 neurons, consists



of five convolutional layers, some of which are followed by max-pooling layers, and three fully-connected layers with a final 1000-way softmax. To make training faster, we used non-saturating neurons and a very efficient GPU implementation of the convolution operation. To reduce overfitting in the fully-connected layers we employed a recently-developed regularization method called "dropout" that proved to be very effective. We also entered a variant of this model in the ILSVRC-2012 competition and achieved a winning top-5 test error rate of 15.3%, compared to 26.2% achieved by the second-best entry.

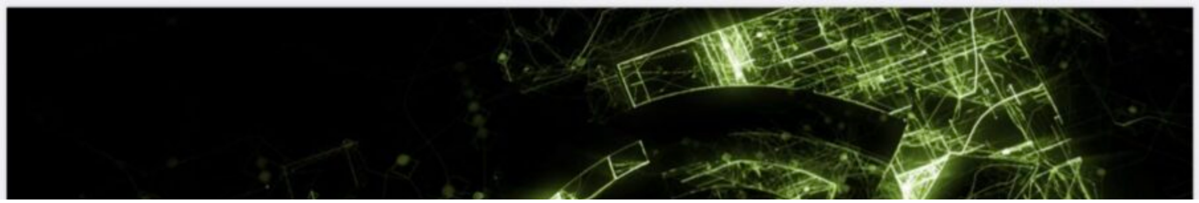
1 Introduction

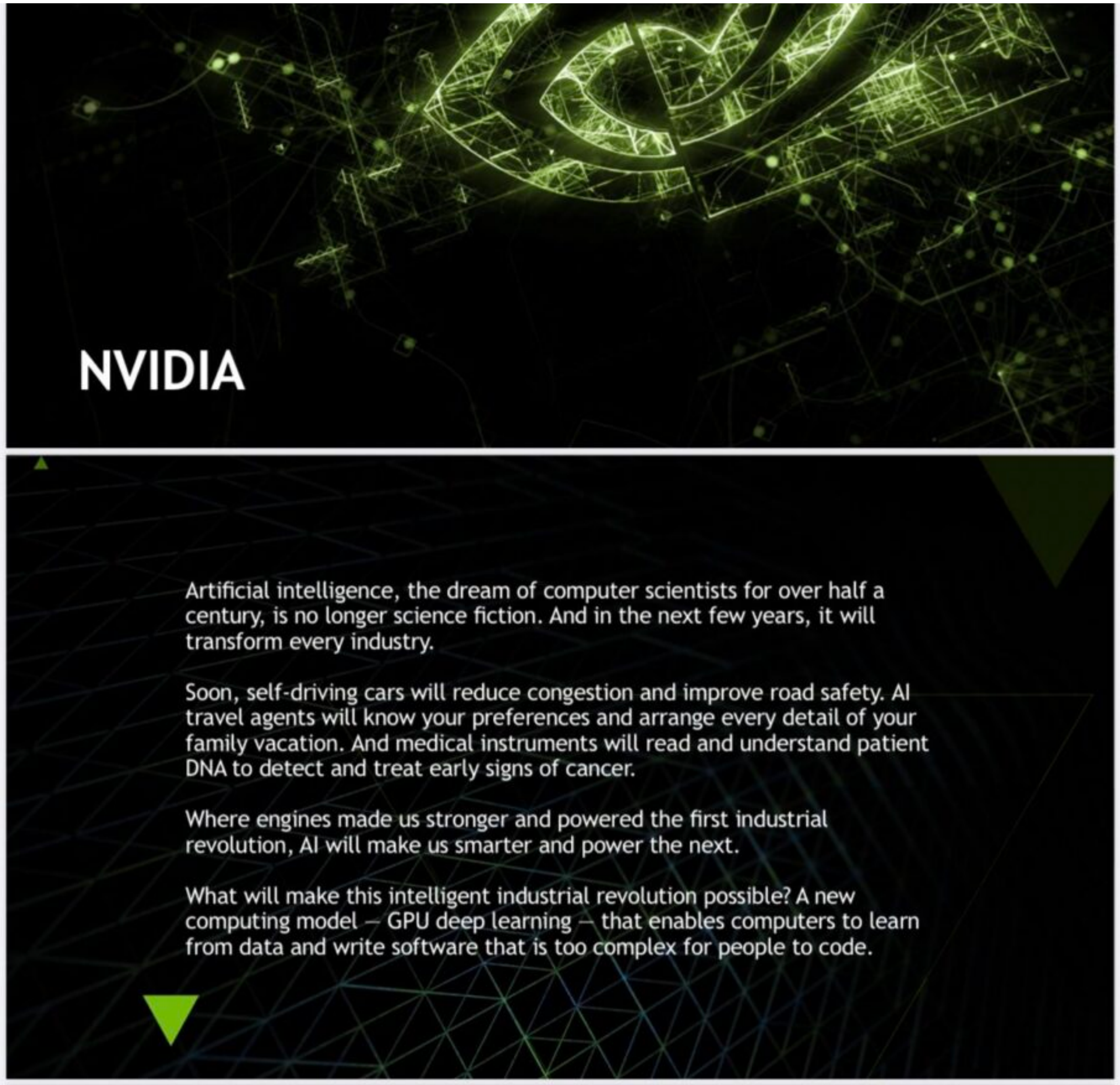
Current approaches to object recognition make essential use of machine learning methods. To improve their performance, we can collect larger datasets, learn more powerful models, and use better techniques for preventing overfitting. Until recently, datasets of labeled images were relatively small — on the order of tens of thousands of images (e.g., NORB [16], Caltech-101/256 [8, 9], and CIFAR-10/100 [12]). Simple recognition tasks can be solved quite well with datasets of this size, especially if they are augmented with label-preserving transformations. For example, the current-best error rate on the MNIST digit-recognition task (<0.3%) approaches human performance [4]. But objects in realistic settings exhibit considerable variability, so to learn to recognize them it is necessary to use much larger training sets. And indeed, the shortcomings of small image datasets have been widely recognized (e.g., Pinto et al. [21]), but it has only recently become possible to collect labeled datasets with millions of images. The new larger datasets include LabelMe [23], which consists of hundreds of thousands of fully-segmented images, and ImageNet [6], which consists of over 15 million labeled high-resolution images in over 22,000 categories.

To learn about thousands of objects from millions of images, we need a model with a large learning capacity. However, the immense complexity of the object recognition task means that this problem cannot be specified even by a dataset as large as ImageNet, so our model should also have lots of prior knowledge to compensate for all the data we don't have. Convolutional neural networks (CNNs) constitute one such class of models [16, 11, 13, 18, 15, 22, 26]. Their capacity can be controlled by varying their depth and breadth, and they also make strong and mostly correct assumptions about the nature of images (namely, stationarity of statistics and locality of pixel dependencies). Thus, compared to standard feedforward neural networks with similarly-sized layers, CNNs have much fewer connections and parameters and so they are easier to train, while their theoretically-best performance is likely to be only slightly worse.

1

Here is the link to NVIDIA "AI Revolution" presentation from 2016 (https://images.nvidia.com/content/pdf/about-nvidia/nvidia-2016.pdf), and I'm sure that if I didn't share the date, no one would have guessed this is 8 years old. Does now everyone agree with me that today's PR campaign we are seeing is recycled from what was previously attempted?





NVIDIA

Artificial intelligence, the dream of computer scientists for over half a century, is no longer science fiction. And in the next few years, it will transform every industry.

Soon, self-driving cars will reduce congestion and improve road safety. AI travel agents will know your preferences and arrange every detail of your family vacation. And medical instruments will read and understand patient DNA to detect and treat early signs of cancer.

Where engines made us stronger and powered the first industrial revolution, AI will make us smarter and power the next.

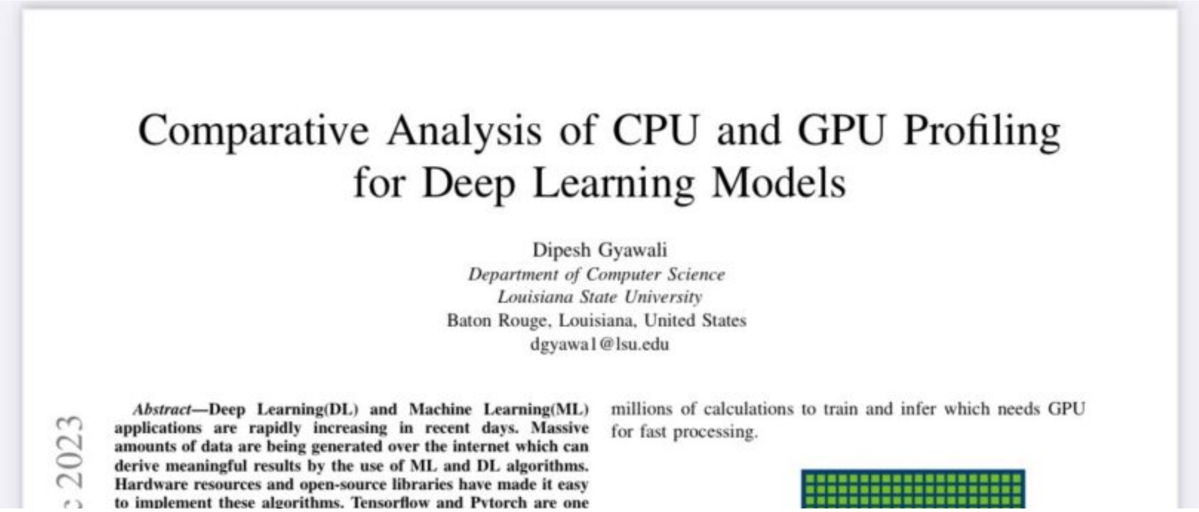
What will make this intelligent industrial revolution possible? A new computing model — GPU deep learning — that enables computers to learn from data and write software that is too complex for people to code.

Sadly, NVIDIA didn’t start selling a gazillion of GPUs to power the #AI revolution in 2016 because at that time Silicon Valley wasn’t bitten by the #fomo bug. So another “revolution” was urgently needed to sell GPUs and unload plenty of unsold inventory accumulated: #crypto mining was the answer (https://justdario.com/2023/08/is-arm-the-canary-in-the-nvda-coal-mine). NVIDIA's growth busted again as soon as that #fomo bubble, which they of course were pushing to the extreme with non-stop PR campaigns, busted. For FY 2019, NVIDIA recorded a -6.5% drop in revenues. This is when #OpenAI returned to be handy again for NVIDIA, thanks to the 1bn$ investment the not-so-non-profit company just received from Microsoft. Everyone is familiar with what came after that, so no need to expand further here.

🚩

With the capacity they already bought from NVIDIA, all cloud operators (and major NVIDIA customers) already have plenty of capacity to fulfil theirs and their cloud customers' requests for years to come:

1- GPUs are better than CPUs for training deep learning models, but for all other types, they don't have a significant advantage



Comparative Analysis of CPU and GPU Profiling for Deep Learning Models

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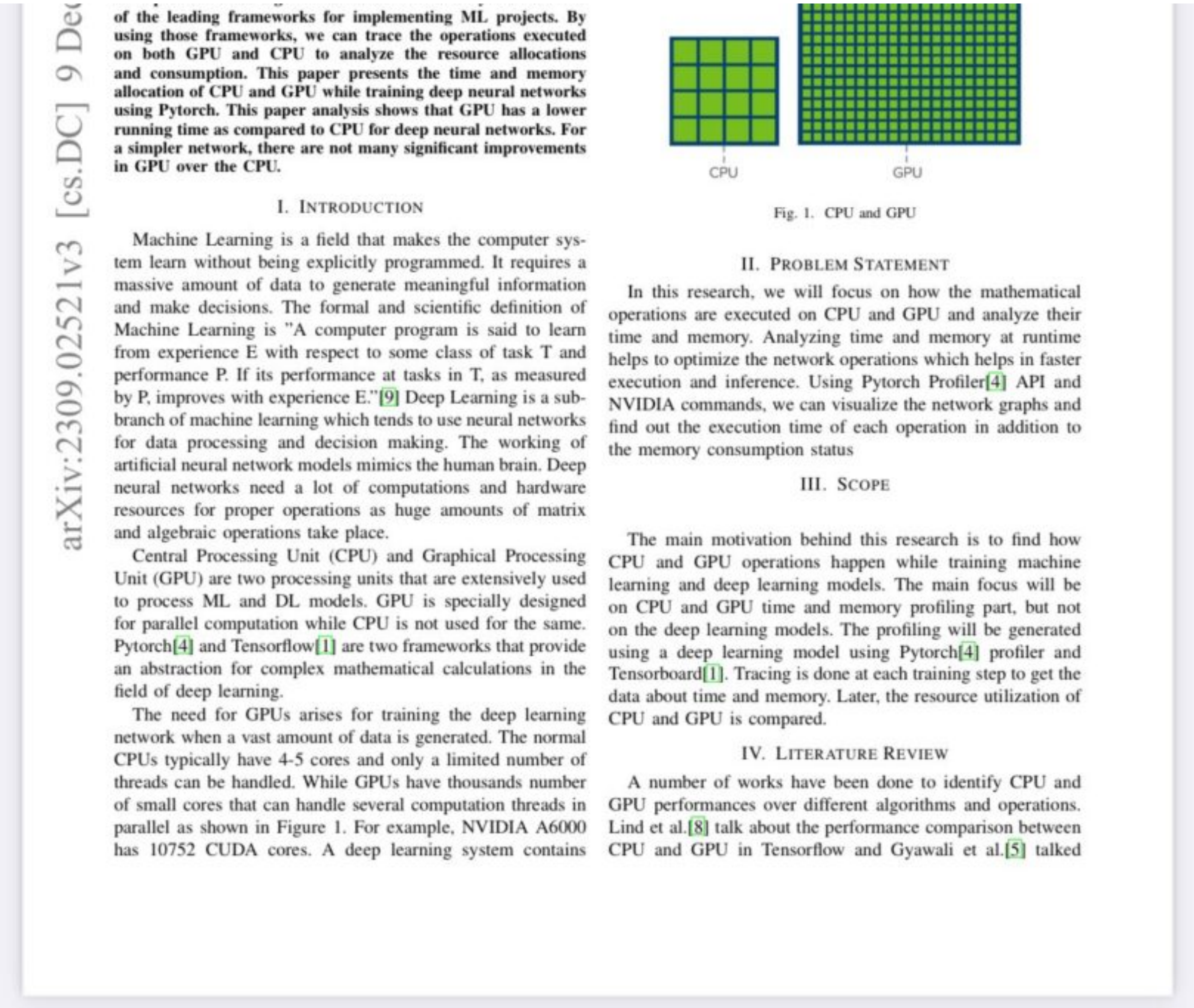
Abstract—**Deep Learning(DL) and Machine Learning(ML) applications are rapidly increasing in recent days. Massive amounts of data are being generated over the internet which can derive meaningful results by the use of ML and DL algorithms. Hardware resources and open-source libraries have made it easy to implement these algorithms. Tensorflow and Pytorch are one**

millions of calculations to train and infer which needs GPU for fast processing.



arXiv:2309.02521v3 [cs.DC] 9 De

of the leading frameworks for implementing ML projects. By using those frameworks, we can trace the operations executed on both GPU and CPU to analyze the resource allocations and consumption. This paper presents the time and memory allocation of CPU and GPU while training deep neural networks using Pytorch. This paper analysis shows that GPU has a lower running time as compared to CPU for deep neural networks. For a simpler network, there are not many significant improvements in GPU over the CPU.

I. INTRODUCTION

Machine Learning is a field that makes the computer system learn without being explicitly programmed. It requires a massive amount of data to generate meaningful information and make decisions. The formal and scientific definition of Machine Learning is "A computer program is said to learn from experience E with respect to some class of task T and performance P. If its performance at tasks in T, as measured by P, improves with experience E."[9] Deep Learning is a sub-branch of machine learning which tends to use neural networks for data processing and decision making. The working of artificial neural network models mimics the human brain. Deep neural networks need a lot of computations and hardware resources for proper operations as huge amounts of matrix and algebraic operations take place.

Central Processing Unit (CPU) and Graphical Processing Unit (GPU) are two processing units that are extensively used to process ML and DL models. GPU is specially designed for parallel computation while CPU is not used for the same. Pytorch[4] and Tensorflow[1] are two frameworks that provide an abstraction for complex mathematical calculations in the field of deep learning.

The need for GPUs arises for training the deep learning network when a vast amount of data is generated. The normal CPUs typically have 4-5 cores and only a limited number of threads can be handled. While GPUs have thousands number of small cores that can handle several computation threads in parallel as shown in Figure 1. For example, NVIDIA A6000 has 10752 CUDA cores. A deep learning system contains

Fig. 1. CPU and GPU

II. PROBLEM STATEMENT

In this research, we will focus on how the mathematical operations are executed on CPU and GPU and analyze their time and memory. Analyzing time and memory at runtime helps to optimize the network operations which helps in faster execution and inference. Using Pytorch Profiler[4] API and NVIDIA commands, we can visualize the network graphs and find out the execution time of each operation in addition to the memory consumption status

III. SCOPE

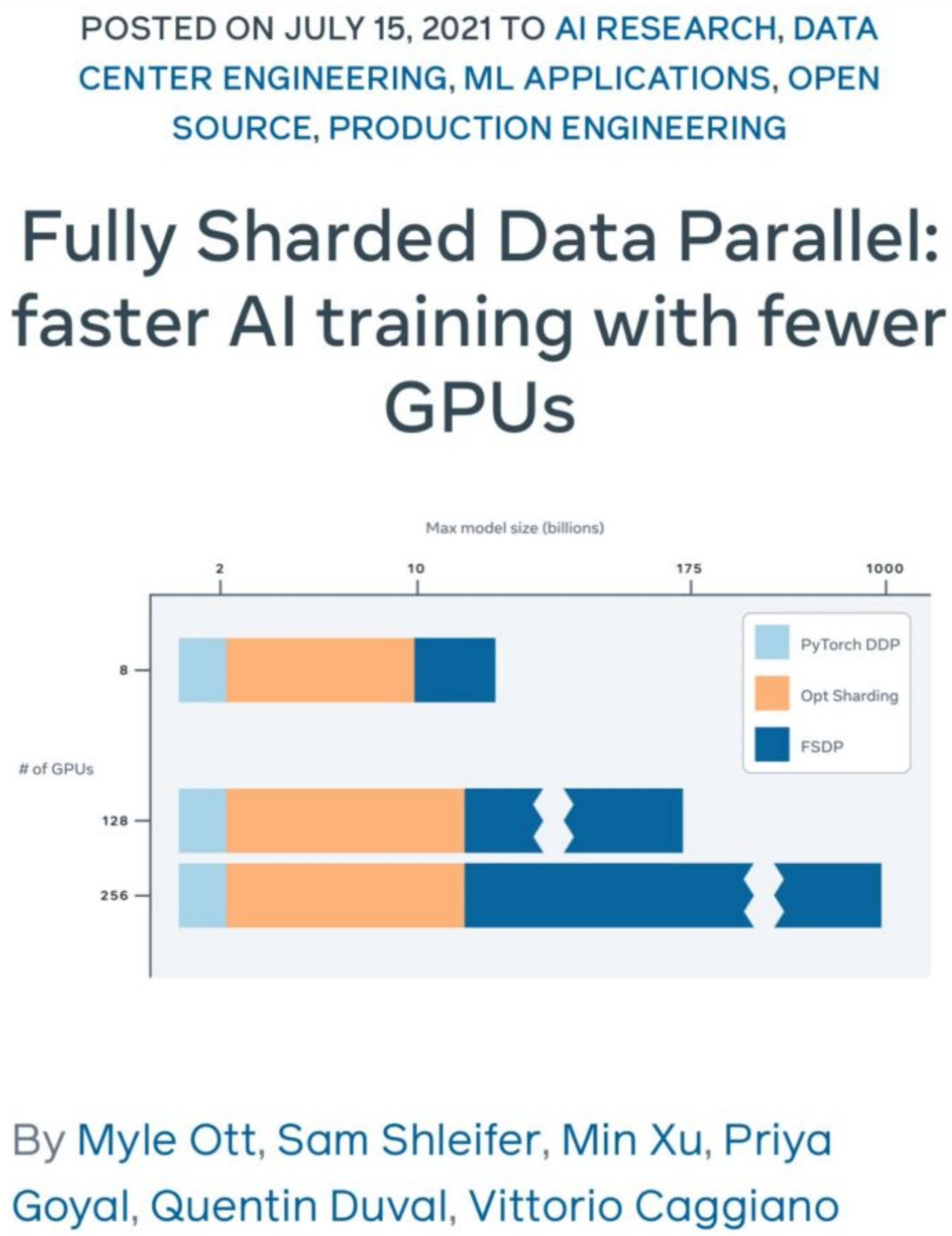
The main motivation behind this research is to find how CPU and GPU operations happen while training machine learning and deep learning models. The main focus will be on CPU and GPU time and memory profiling part, but not on the deep learning models. The profiling will be generated using a deep learning model using Pytorch[4] profiler and Tensorboard[1]. Tracing is done at each training step to get the data about time and memory. Later, the resource utilization of CPU and GPU is compared.

IV. LITERATURE REVIEW

A number of works have been done to identify CPU and GPU performances over different algorithms and operations. Lind et al.[8] talk about the performance comparison between CPU and GPU in Tensorflow and Gyawali et al.[5] talked

2 – GPUs are far more expensive and 3-5 times more energy consuming than CPUs. As such, NVIDIA's (legitimate) clients have been working for years on how to optimise their use.

Engineering at Meta



POSTED ON JULY 15, 2021 TO AI RESEARCH, DATA CENTER ENGINEERING, ML APPLICATIONS, OPEN SOURCE, PRODUCTION ENGINEERING

Fully Sharded Data Parallel: faster AI training with fewer GPUs

Max model size (billions)
2
10
175
1000
# of GPUs
8
128
256
PyTorch DDP
Opt Sharding
FSDP

By Myle Ott, Sam Shleifer, Min Xu, Priya Goyal, Quentin Duval, Vittorio Caggiano

3 – It's no secret that NVIDIA's (legitimate) clients are on their way to become NVIDIA competitors to develop GPUs better optimised for #AI needs (and not a repurposing from gaming) and, most of all, at much lower costs.

🚩
GPUs Data centres are very bad for the environment.

Sorry to break the spell here, but GPUs are the "hippos" of the Data centres in terms of energy consumption. I strongly recommend reading TechSpot article (https://www.techspot.com/article/2540-rise-of-power/) "The Rise of Power: Are CPUs and GPUs Becoming Too Energy Hungry? – An Unnecessary Price to Pay" in this regard to quickly understand why these GPUs data centres have limited growth potential (like #crypto mining rigs had….) and cloud providers running them will have a significant cost problem from this front too.

I bet in less than 48 hours, NVIDIA will likely release another set of "blockbuster" results, because what started as a "fake it till you make it" after all we have seen so far, has pretty obviously now become a "fake it till you can"
🙈

justdario.com

THE #STOCKS HOUSE OF CARDS IS WOBBLING… AGAIN

Dario

4–5 minutes

Between the end of September and the beginning of October 2023, the #MOAB (Mother of All Bubbles) house of cards was dangerously wobbling. In a great coup de theatre, Jerome Burns managed to pull a "FED ghost pivot" 🐇 out of his magic hat, which sent everyone on a #FOMO buying spree. This bought more time for the FED to fix the Banking Sector mess.

Not only is the banking sector mess close to bursting out of control now, but by continuously delaying the inevitable, we might have reached a point where the DotCom^2 and the GFC^2 (because they are respectively exponentially bigger than the previous two) burst at the same time
🙈

Today, we are going to see the FOMC minutes of the last meeting, the one that preceded the latest hot US CPI #inflation print, a few hours before NVIDIA's Q4-23 earnings. On one side, the market is going to dissect the first one for any sign, hint, hope, dream of another free money tsunami from the FED that will heavy-lift banks out from the deeper and deeper hole of Credit Losses they fell into. On the other side, the market is going to superficially look at NVIDIA earnings, hoping nothing triggers any doubt about the chances of NVIDIA having a 100% market share of the semiconductor industry, with 110% profit margins, surfaces. 🤭

Psychology clearly is all that matters now. Let's apply the "prisoner's dilemma" to the current situation with a small tweak:

1 – In one room, you have 1,000 retail investors, all of them have at least one mortgage, 3 maxed-out credit cards, one student loan and no more than $300 savings in the bank account. However, all of them are 100% invested in #stocks that have an overall value greater than their liabilities plus extra gains on top.

2 – In the other room, you have 1 hedge fund manager that is running a 300% leverage between borrows and derivatives on the same #stocks basket of the 1,000 retail investors, but with 3x their gains.

Here is the tweak: both rooms have a big window. The "prisoners" can see into the other room and outside. Suddenly, everyone in the rooms starts seeing the likes of Jeff Bezos, Bill Gates, Warren Buffet, and Senator Tuberville leaving the #stockmarket building at a sustained walking pace carrying bags full of cash.

According to Game Theory, the best choice here is for the investors in both rooms to do nothing, and as a consequence, the bubble doesn't pop. However, seeing billionaires fleeing the building can play nasty games with the human psyche. So this is how the game continues:

– The first retail investor says "I need to go to the toilet", then he leaves the room and never comes back.
👋🏻

– The second retail investor says "I'm going to buy some food for everyone", then he leaves the room and never comes back.
👋🏻

– The third investor receives a call from his Credit Card company because he is now 3 months behind on his debt. He leaves the room to pick up the call and never comes back.
👋🏻

– Then, 10 investors start worrying about their friends not coming back in. Maybe something happened to them, so they go to check and promise to come back.
👋🏻

– Now the hedge fund investor in the other room's alarm bells are

triggered. He dumps all his positions in the fraction of an HFT second and the game ends with 983 retail investors losing everything.
😕

Never forget, people can have all their fancy strategies, charts, algorithms, and theories, but in the end, we are all humans who need to eat, sleep, and go on with their lives outside the #stockmarket. The world didn’t end with the stock market crashes of 1929, 1987, 2000, 2008, or 2020 because survival instinct, like it or not, is at the core of every decision and life goes on.

However, decisions will impact the quality of a person’s life and as everyone who has been at least once in Las Vegas knows, if you spend too much time playing in a casino, you will likely end up losing all the cash you went there with.
🤷🏻‍♂️

justdario.com

NVIDIA – THE (FRAUD) SMOKING GUN?

Dario

6–7 minutes

As I write, NVIDIA is up 8.56% in After Hours trading after releasing their "monster" Q4-23 results. Compared to the Q3-23 report, there isn't much change in all the red flags 🚩 I highlighted before [JustDario], but while I was comparing the two, my eye caught something strange.

Before I go forward, in case you don't know, I would like to flag that NVIDIA's Q4 is shifted 1 month forward compared to the majority of listed companies. Hence, it runs from the 1st of November till the end of January of the next year.

Alright, time to grab your 🍿 now.

1 – In the last report, NVIDIA declared that they repurchased a total of

21m shares, paying $9.7bn throughout their latest fiscal year. What's interesting about this? Unusually, since companies always report shares bought in the quarter and in YTD in intermediate earnings reports, NVIDIA doesn't mention how many shares were bought back during the last quarter

🚩

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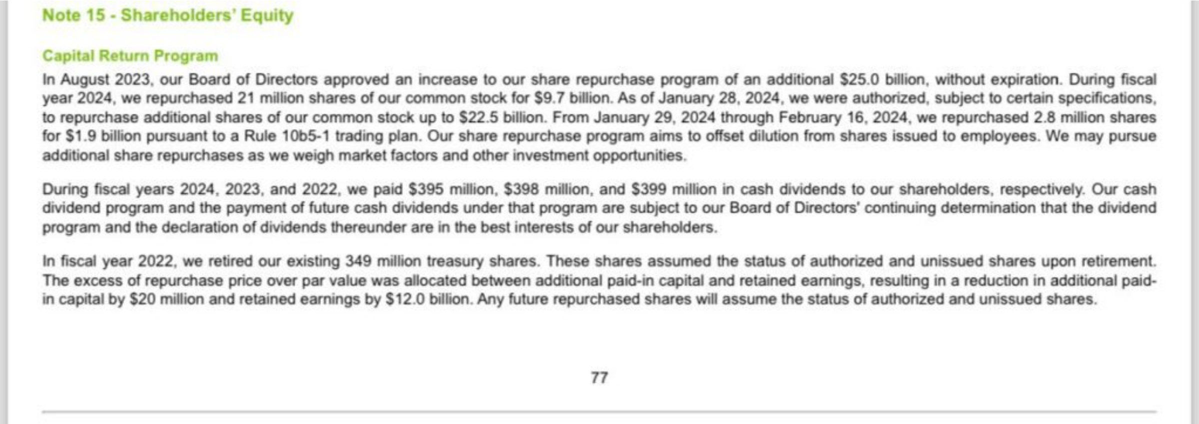


Note 15 - Shareholders' Equity

Capital Return Program

In August 2023, our Board of Directors approved an increase to our share repurchase program of an additional $25.0 billion, without expiration. During fiscal year 2024, we repurchased 21 million shares of our common stock for $9.7 billion. As of January 28, 2024, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $22.5 billion. From January 29, 2024 through February 16, 2024, we repurchased 2.8 million shares for $1.9 billion pursuant to a Rule 10b5-1 trading plan. Our share repurchase program aims to offset dilution from shares issued to employees. We may pursue additional share repurchases as we weigh market factors and other investment opportunities.

During fiscal years 2024, 2023, and 2022, we paid $395 million, $398 million, and $399 million in cash dividends to our shareholders, respectively. Our cash dividend program and the payment of future cash dividends under that program are subject to our Board of Directors' continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders.

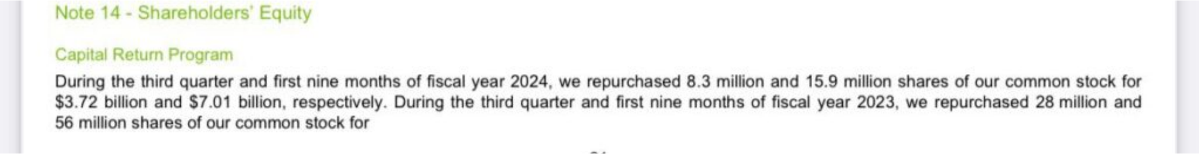
In fiscal year 2022, we retired our existing 349 million treasury shares. These shares assumed the status of authorized and unissued shares upon retirement. The excess of repurchase price over par value was allocated between additional paid-in capital and retained earnings, resulting in a reduction in additional paid-in capital by $20 million and retained earnings by $12.0 billion. Any future repurchased shares will assume the status of authorized and unissued shares.

77

Odd, isn't it?

🤔

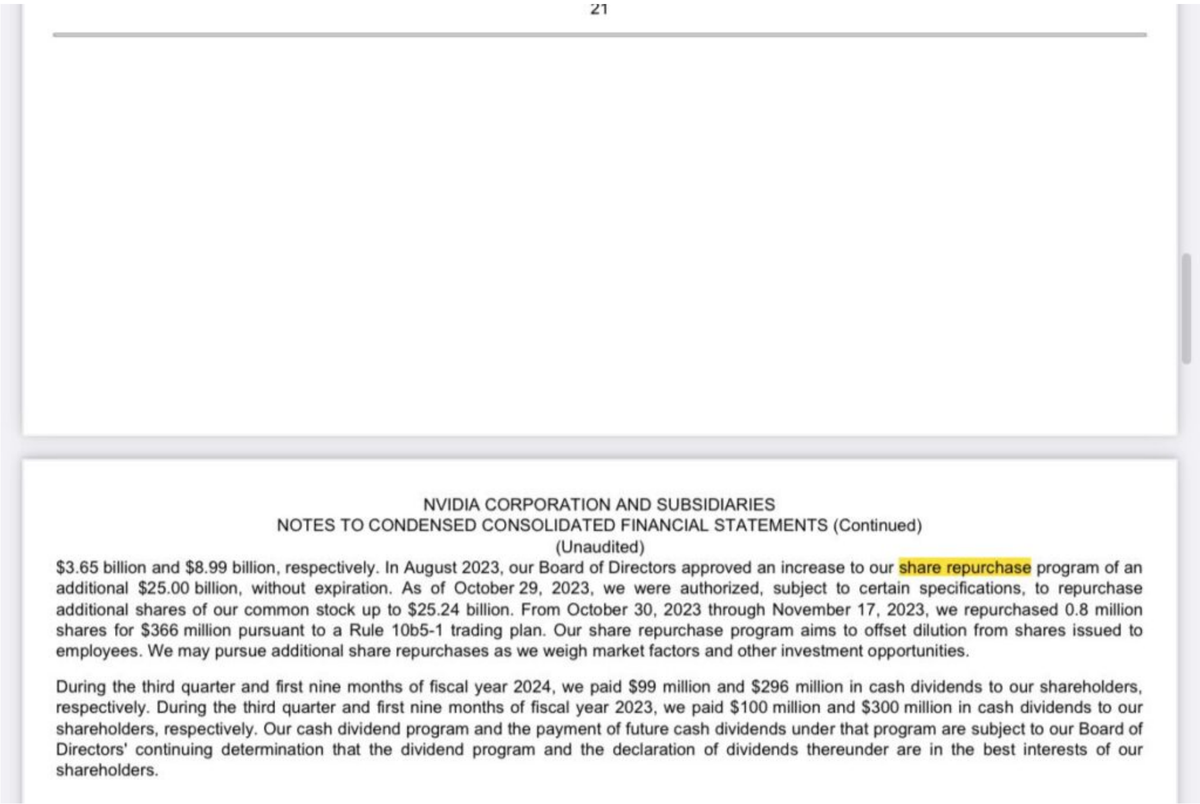
2 – Alright, Jensen, let's go figure this out. As we can see from the Q3-23 report, up until the last quarter, NVIDIA repurchased 15.9m shares, paying $7.01bn. Applying some quick math, we can figure out NVIDIA bought back 5.1m shares in the last quarter, paying $2.69bn.



Note 14 - Shareholders' Equity

Capital Return Program

During the third quarter and first nine months of fiscal year 2024, we repurchased 8.3 million and 15.9 million shares of our common stock for $3.72 billion and $7.01 billion, respectively. During the third quarter and first nine months of fiscal year 2023, we repurchased 28 million and 56 million shares of our common stock for



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NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

$3.65 billion and $8.99 billion, respectively. In August 2023, our Board of Directors approved an increase to our share repurchase program of an additional $25.00 billion, without expiration. As of October 29, 2023, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $25.24 billion. From October 30, 2023 through November 17, 2023, we repurchased 0.8 million shares for $366 million pursuant to a Rule 10b5-1 trading plan. Our share repurchase program aims to offset dilution from shares issued to employees. We may pursue additional share repurchases as we weigh market factors and other investment opportunities.

During the third quarter and first nine months of fiscal year 2024, we paid $99 million and $296 million in cash dividends to our shareholders, respectively. During the third quarter and first nine months of fiscal year 2023, we paid $100 million and $300 million in cash dividends to our shareholders, respectively. Our cash dividend program and the payment of future cash dividends under that program are subject to our Board of Directors' continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders.

Alright, what's wrong with this?

🔫💨- Applying some easy math again, we can quickly figure out that the average price NVIDIA paid in Q4 was $527. Do you know what was the average price of NVIDIA shares during Q4 overall? As a simple average, $492; as an average weighted by the trading volumes, $502.

In the Q3-23 report, NVIDIA kindly provided us with an extra piece of information: "From October 30, 2023, through November 17, 2023, we repurchased 0.8m shares for $366m pursuant to a Rule 10b5-1 trading plan."

Alright, that means that in the first ~20% of the quarter, NVIDIA repurchased ~20% of the shares. Nothing uncommon here. It's actually pretty normal for companies to run buybacks at regular schedules. Otherwise, they might easily breach SEC insider trading rules if caught in actively manipulating their stocks prices
😅

Considering what I said, NVIDIA should then continue its share buyback program regularly for the remaining 80% of the quarter, right?

Now, if we exclude the 800k shares repurchased for $366m, then NVIDIA would have been left with 4.3m shares to repurchase for $2.324bn, right? That means the average price for that buyback is $540.47. What was NVIDIA's average price between November 17, 2023, and January 29, 2024? $510.9 the simple average, or $513.7 the volume-weighted average.

🚩
Putting it all together, NVIDIA overpaid ~6.9% to repurchase its own shares in Q4, equivalent to $187m. Now, please have a look at the line "Unsettled Share Repurchases" below. What's the amount? $187m!

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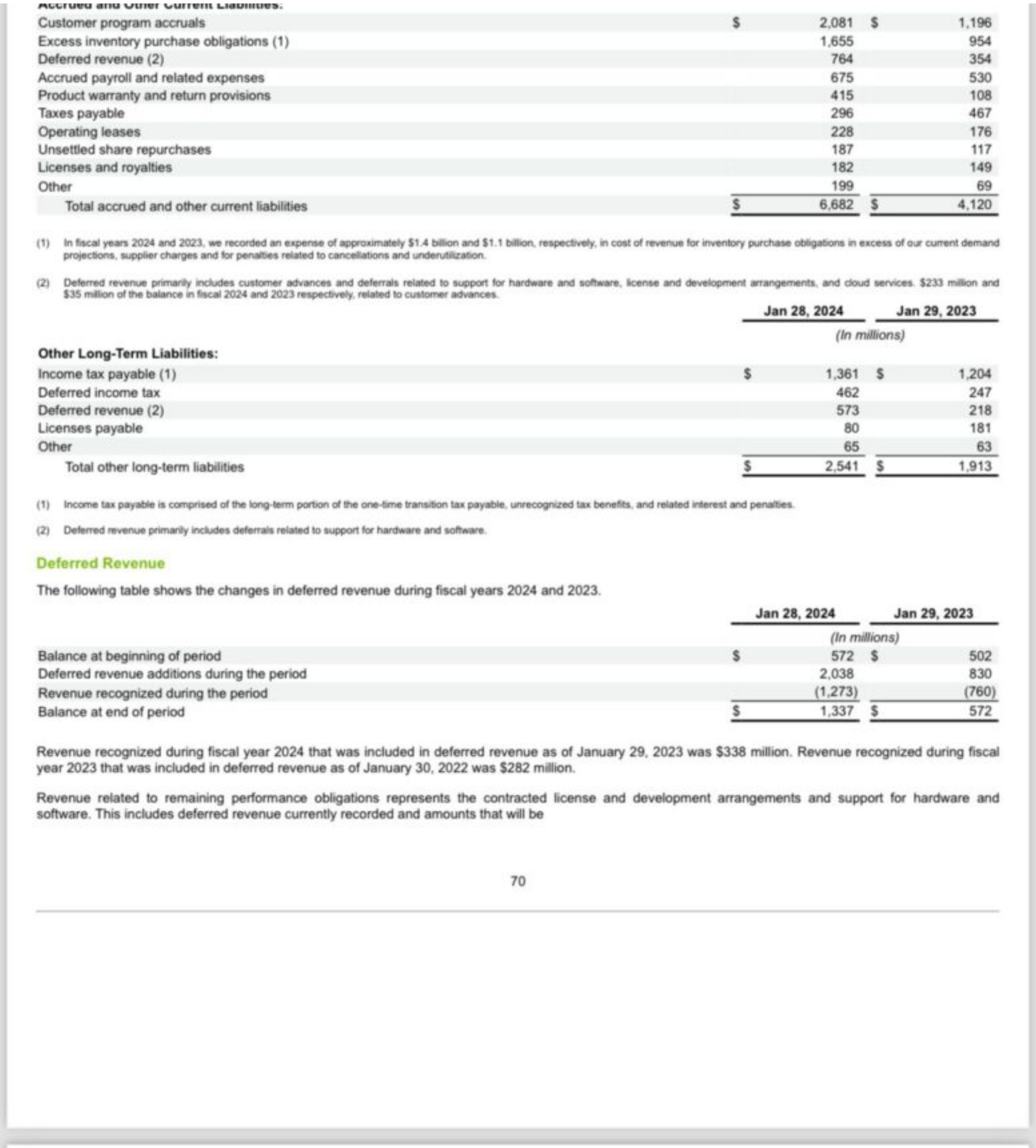
NVIDIA Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
(Continued)

	Jan 28, 2024	Jan 29, 2023
	(In millions)	



Accrued and Other Current Liabilities:

Customer program accruals	$ 2,081	$ 1,196
Excess inventory purchase obligations (1)	1,655	954
Deferred revenue (2)	764	354
Accrued payroll and related expenses	675	530
Product warranty and return provisions	415	108
Taxes payable	296	467
Operating leases	228	176
Unsettled share repurchases	187	117
Licenses and royalties	182	149
Other	199	69
Total accrued and other current liabilities	$ 6,682	$ 4,120

(1) In fiscal years 2024 and 2023, we recorded an expense of approximately $1.4 billion and $1.1 billion, respectively, in cost of revenue for inventory purchase obligations in excess of our current demand projections, supplier charges and for penalties related to cancellations and underutilization.

(2) Deferred revenue primarily includes customer advances and deferrals related to support for hardware and software, license and development arrangements, and cloud services. $233 million and $35 million of the balance in fiscal 2024 and 2023 respectively, related to customer advances.

	Jan 28, 2024	Jan 29, 2023
	(In millions)	
Other Long-Term Liabilities:		
Income tax payable (1)	$ 1,361	$ 1,204
Deferred income tax	462	247
Deferred revenue (2)	573	218
Licenses payable	80	181
Other	65	63
Total other long-term liabilities	$ 2,541	$ 1,913

(1) Income tax payable is comprised of the long-term portion of the one-time transition tax payable, unrecognized tax benefits, and related interest and penalties.

(2) Deferred revenue primarily includes deferrals related to support for hardware and software.

Deferred Revenue

The following table shows the changes in deferred revenue during fiscal years 2024 and 2023.

	Jan 28, 2024	Jan 29, 2023
	(In millions)	
Balance at beginning of period	$ 572	$ 502
Deferred revenue additions during the period	2,038	830
Revenue recognized during the period	(1,273)	(760)
Balance at end of period	$ 1,337	$ 572

Revenue recognized during fiscal year 2024 that was included in deferred revenue as of January 29, 2023 was $338 million. Revenue recognized during fiscal year 2023 that was included in deferred revenue as of January 30, 2022 was $282 million.

Revenue related to remaining performance obligations represents the contracted license and development arrangements and support for hardware and software. This includes deferred revenue currently recorded and amounts that will be

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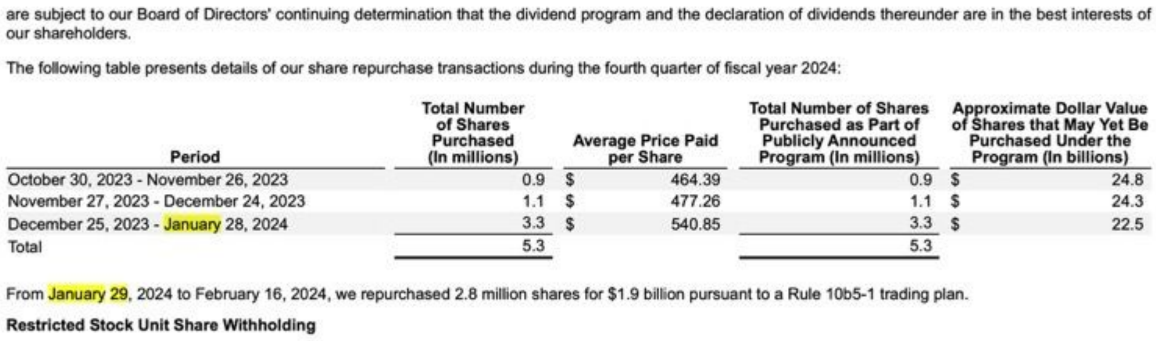
Now, as everyone familiar with buybacks knows, shares repurchased are

settled immediately through your custodian. What about call options though? Well… that fits in the category of “Unsettled Share Repurchases”!
😉

Let me now ask this question: What do you think are the chances NVIDIA is overpaying its stock buybacks so someone else can, on their behalf, use that money to play the OTM call options gamma squeeze game on NVIDIA stock?

Now let’s look at things from a second perspective

Please have a look at the table here where NVIDIA , in appearance, heavily repurchased its shares only in January. Odd isn’t it? Follow me
🍿



are subject to our Board of Directors' continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders.

The following table presents details of our share repurchase transactions during the fourth quarter of fiscal year 2024:

Period	Total Number of Shares Purchased (In millions)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (In millions)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (In billions)
October 30, 2023 - November 26, 2023	0.9	$ 464.39	0.9	$ 24.8
November 27, 2023 - December 24, 2023	1.1	$ 477.26	1.1	$ 24.3
December 25, 2023 - January 28, 2024	3.3	$ 540.85	3.3	$ 22.5
Total	5.3		5.3	

From January 29, 2024 to February 16, 2024, we repurchased 2.8 million shares for $1.9 billion pursuant to a Rule 10b5-1 trading plan.

Restricted Stock Unit Share Withholding

🚩

If you do the math comparing Q3 vs Q4 NVIDIA declares they repurchased 5.3m shares in Q4 in the table while in their “Capital Return Programme”, where they left out the detail for the quarter, the amount is

5.1m shares

🚩
If you consider the 2 weeks amount they disclosed in Q3 as repurchases made already belonging to Q4, the average share price of the remaining buybacks is 540$ for the remaining 2.5 months. What's the average share price they declared it was repurchased in January alone? 540$!

Now from the 13-F we know that there was some heaving selling in NVIDIA stock into 2023 year-end, how come the price didn't drop so much when NVIDIA wasn't, apparently, actively doing buybacks?

🚩 Clearly NVIDIA was using call options for January settlement at ~540$ strike to support the price forcing dealers to delta hedge and hence compensate the institutional selling 😅

🚩
All those options in large notional started to become 0DTE into January, perfect timing to trigger a powerful gamma squeeze of the likes we saw countless times recently. As a matter of fact, through January NVIDIA price went up on a straight line with barely any down days and was constantly "boosted" by a no-stop PR campaign.

All this explains the unusually large amount of share buybacks "settled" in January.

🚩

So now we know NVIDIA has been skimming cash out from its share buybacks plus actively playing with derivatives to forward settle their purchases and leverage dealers' books

Last 🚩 in the first 2 weeks of the new year NVIDIA repurchased ~2m shares, not accounted for in the current quarter (unaudited) numbers. That amount represents 10% of the total amount of shares they repurchased in the whole previous year and you think they bought right at the very top? Of course not 🤭 those are very likely derivatives settlement into the February OPEX…

Think about this, NVIDIA before had a pretty consistent history of buying back their shares always timing the bottom almost to the tick. What changed all of a sudden and got them to U-turn and start to buy aggressively after the stock already had a massive run? Clearly, they found a scheme they could gamma squeeze themselves, almost, "legally" 🙈

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NVIDIA CAN CRASH 20% ON MONDAY AND NOBODY SHOULD BE SURPRISED ABOUT THAT

Dario

5–6 minutes

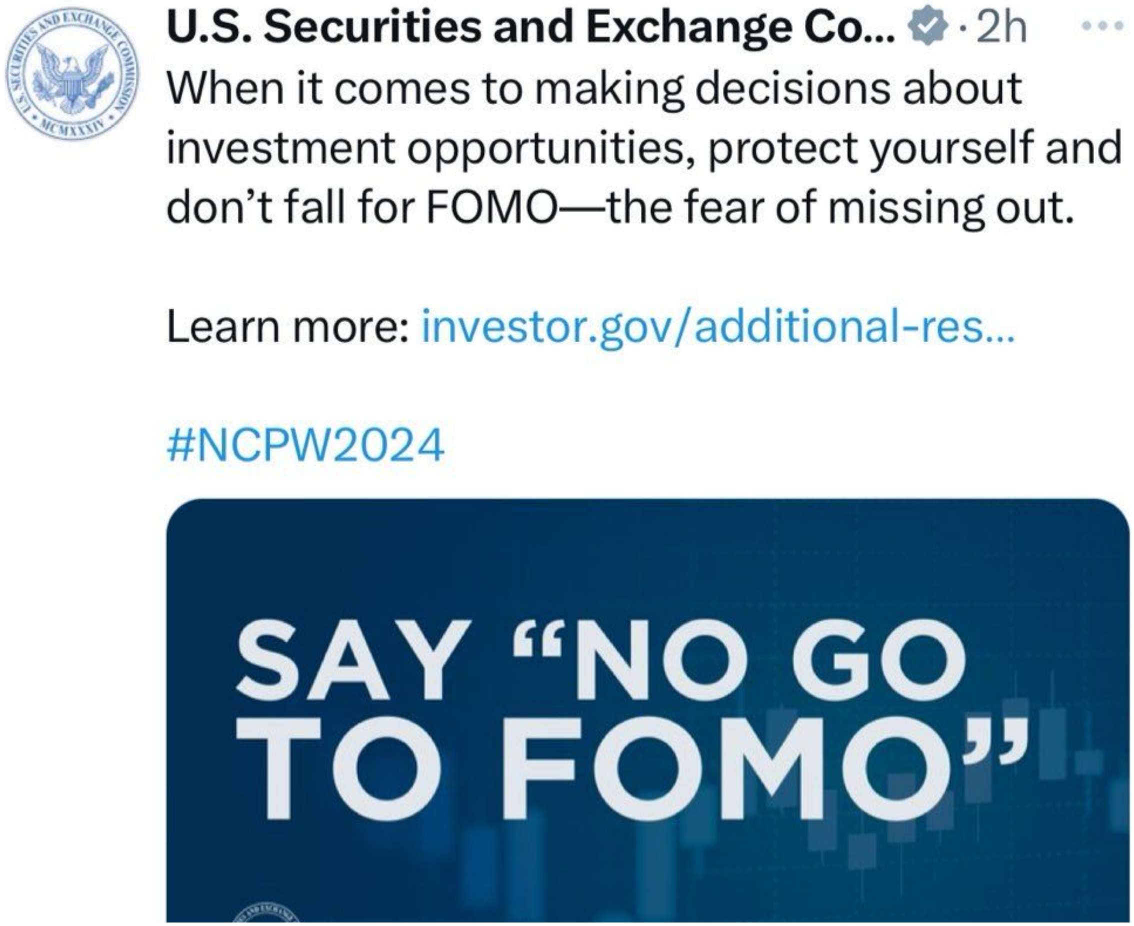
If you think that Nvidia got where it is today because of its fundamental valuations, I am sorry but you might want to revise what “fundamental analysis” stands for.

It’s no secret anymore that the company has been using borderline legal accounting shenanigans and commercial practices to report much higher earnings than what their real business truly generates, but today I don’t care to talk about that again.

What’s important to address today, and this might have serious consequences going forward, is the fact that the (nominally) 3rd largest stock for market cap in the world swung ~100$ in price intraday from 974$

(that was a fest all-time high) to 875$ without any news, communication or general reason that could spread concern on the company business going forward.

If things became so ridiculous that even the SEC could figure out something was wrong and post a "say no to #fomo" warning on X, then the price action we saw today was potentially the Nvidia bubble hitting the needle.



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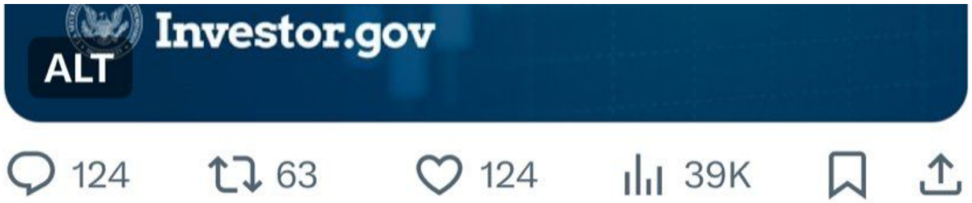
#NCPW2024



Ponzi schemes and fraudulent companies can run a lot in the stock market, but only those who enjoy the tailwinds of investors' euphoria can really make it in the history books for their spectacular booms and busts. Half of the Nvidia chapter, "the boom", is already written, and get ready because what is likely coming next are the first pages of "the bust".

Why did I choose such a title for my article? How can that be even possible to happen for such a large company out of the blue? I explained it a month ago in "ISAAC NEWTON, A GENIUS, WOULD HAVE LOVED $NVDA" what kind of losses can hit investors, even the brightest ones, when manias come to an end. However, what is very hard to time is when a mania ends.

I bet this weekend many (charlatans) will start writing about a "healthy pull back", "technical correction", and "Wave here and wave there", to once again find elements to feed theirs and the masses' hunger for a confirmation (bias) that Nvidia's run didn't just come abruptly to an end. The small problem is that 250bn$ dollars of "value" being vaporized in a few hours is something that will surely trigger some discomfort in many shareholders' heads. If Nvidia mania was just an "old fashion" one created by investors bidding a #stocks to the stratosphere tulip-style such a +5%/-5% swing in a day would likely not have still been enough to undermine the mania, maybe just a speed bump. What about when a lot of the mania has been fuelled not by investors buying the stock directly but buying extremely leveraged derivatives on it?

Imagine what can happen to a person's head when you are sitting long on a call option and in the span of a few hours the gains showed on your screen go from something like +7,243% to 30%. Imagine how that would feel if you were counting on cashing in those gains next week to pay off your credit card debt. Imagine how it feels if you borrowed extra money to place that bet trying to repay all your existing ones in the (wrong) belief Nvidia could never have a red anymore forever. Imagine if instead of having still a gain you instead started to see a loss on your screen. Do you think it looks already so scary and distressing? Imagine all those that at open shorted millions of Nvidia 900$ strike 0DTE put options for example and I don't think I need to add anymore here.

Right now we are experiencing human exuberance channeled in the market through the most leveraged and volatile derivative instruments accessible to investors. As if this wasn't enough, out there there are a lot of algorithms managing passive strategies that are wired to simply sell without thinking twice if a stock's momentum turns negative. Do you think

I am done? Of course not. Remember Archegos and those interesting exotic derivatives that can only be bought in the darkest corner of the financial market? Let me tell you a secret, there have been a ton of those built upon Nvidia during all its wild ride to the top and no they cannot just be sold in the same way you just click a button on your phone app. These positions are extremely leveraged and often of tens, hundreds if not billions in notional. A name like Nvidia swinging like it did today? Oh dear those risk managers for sure felt a chill on their back. Remember Archegos and not only how big but how fast the losses on these complex derivatives hit not only the market but the brokers (With one of those, Credit Suisse, left mortally wounded).

Never forget, psychology is a double-edged sword and euphoria can flip into panic in the blink of an eye because of how human survival instinct reacts to a threat that can significantly impair his/her life well-being.

After reading all I said so far, hopefully, you will agree with me that nobody should be surprised about Nvidia crashing 20% on Monday. If it doesn’t happen? The same words will remain valid for every single day thereafter because like it or not this event is a matter of when not if.

justdario.com

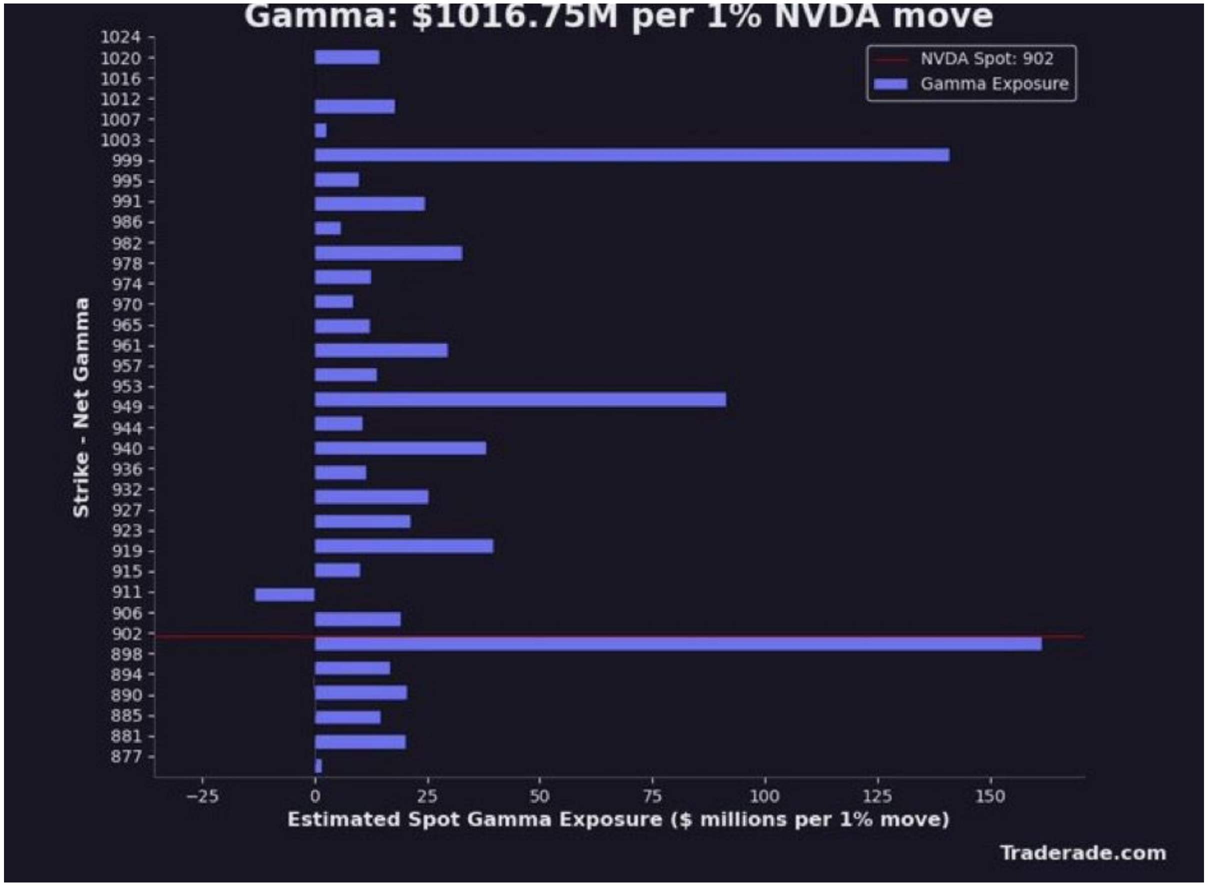
#STOCKS IDES OF MARCH – IS FEAR ABOUT TO STAB $NVDA EUPHORIA IN THE BACK?

Dario

4–5 minutes

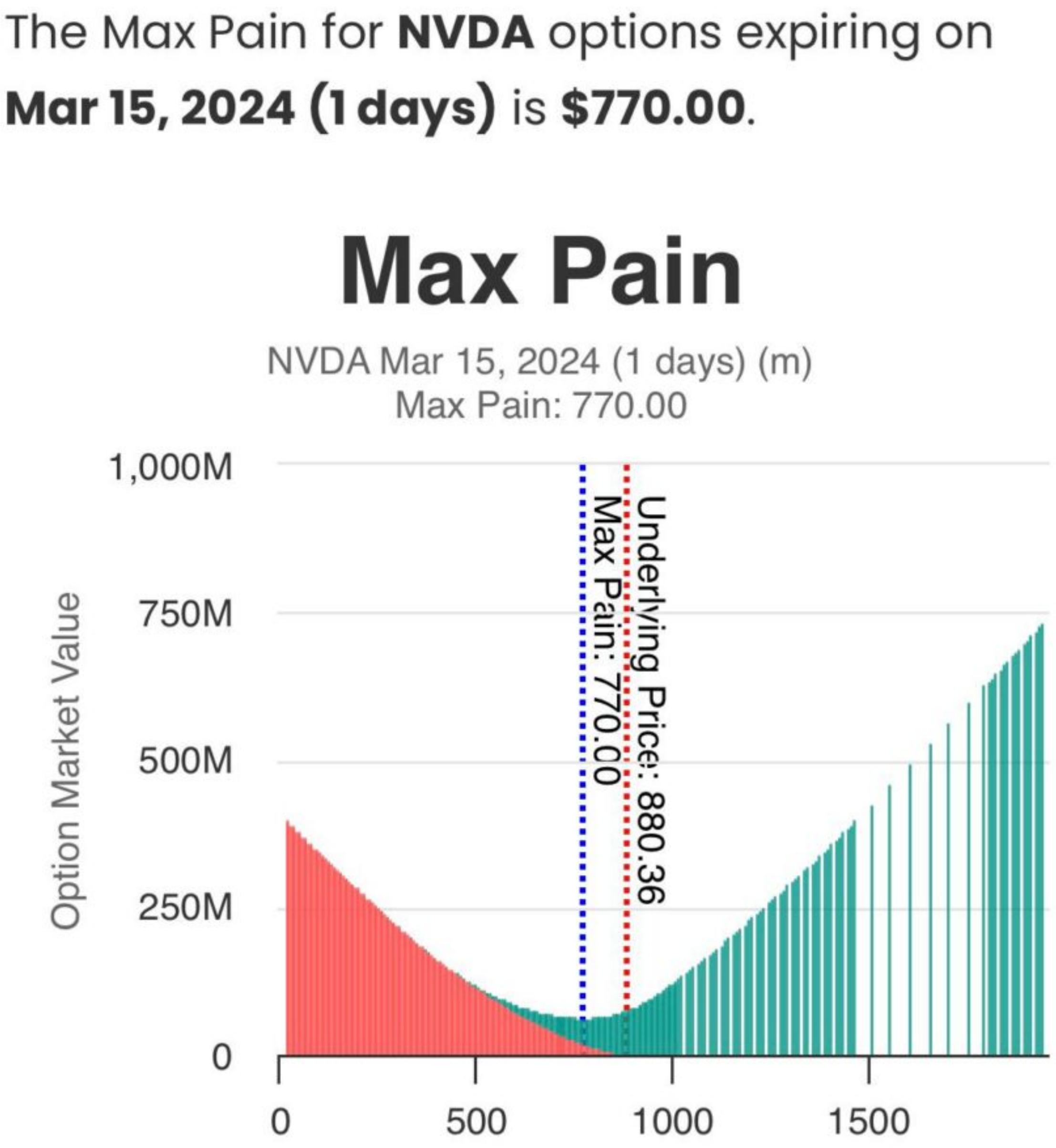
This incoming 15th of March will surely not hold a place in human history like the murder of Julius Caesar; however, the stage is set for what could turn out to be a hell of an eventful “Quadruple witching” #OPEX day.

First of all, the darling of the current #stocks bubble, $NVDA, is in quite a tough spot. The stock closed the last session at $879.44, which, by itself, doesn’t look like a big deal considering $NVDA is now roughly flat compared to last week’s Friday close. However, if you compare this price with the overall gamma exposure built up by traders on $NVDA, you can immediately see things might turn seriously ugly for the stock.

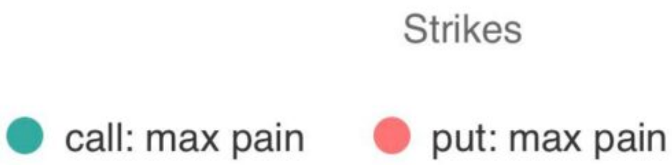


Why so? Because of the time decay impact on option prices. Precisely when options are Out Of The Money, their price starts to collapse faster and faster the closer the contract is to expiry. What happens when an option loses value? Those who sold it, the Options Market Makers, will start unwinding their delta hedging positions. Translated, they will dump the underlying #stocks they purchased to cover their derivatives risk. Intuitively, considering where the $NVDA price stands now, the likelihood of a selling stampede is far from being remote.

If the above setup wasn't bad enough, you should check out where the "Max Pain" for $NVDA options traders is going to be for the incoming #0DTE expiry: $770!



The Max Pain for **NVDA** options expiring on **Mar 15, 2024 (1 days)** is **$770.00**.



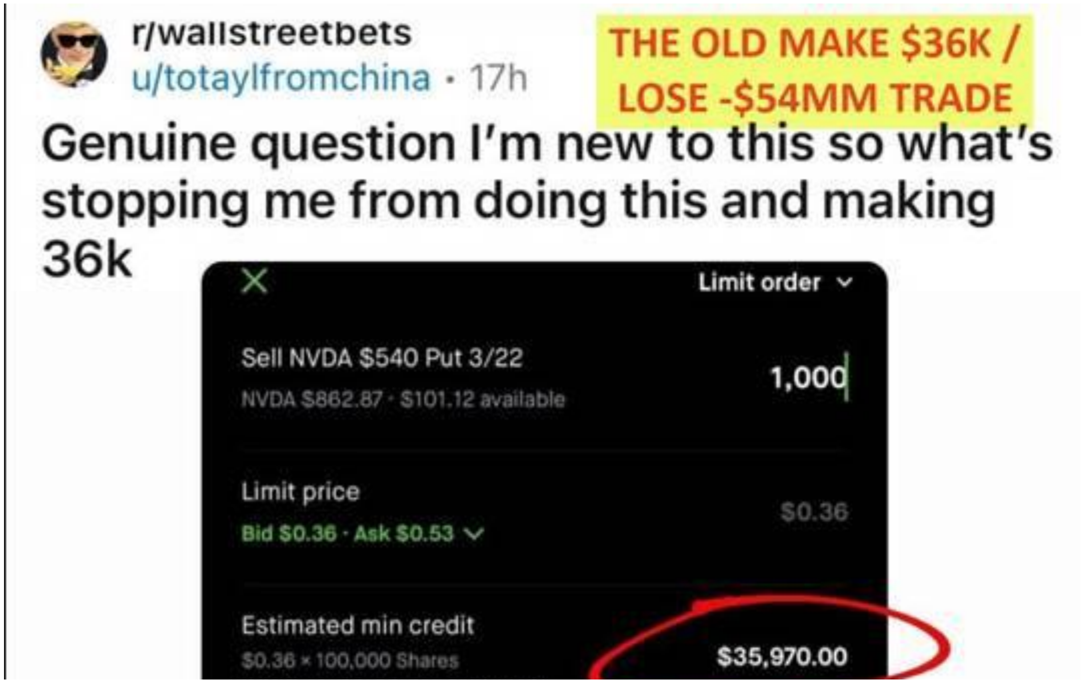
What is the “Max Pain”? It’s the price where most of the options expire Out Of The Money and consequently those who sold those options (Market Makers have the lion’s share) maximize their premium gains. While a 12.5% $NVDA price crash today will make many people unhappy, as I said yesterday in derivatives, when someone loses someone somewhere else gains, and in this case, a lot of Market Makers are set to pop champagne bottles in the weekend if $NVDA ends up having a very bad day.

Last Friday was already a pretty bad day for $NVDA, remember? The stock had almost a 12% intraday swing ending down 6%, leaving so many baffled (and many #0DTE gamblers bruised). After that happened, I wrote the intentionally provocative “$NVDA CAN CRASH 20% ON MONDAY AND NOBODY SHOULD BE SURPRISED ABOUT THAT” with the intention to open people’s eyes to the great risk posed by a sudden death of the speculative euphoria (paired with reckless manipulation, but this is something so obvious it’s pointless to say anything more about it) on $NVDA.

This is how I concluded the article last week: “After reading all I said so far, hopefully, you will agree with me that nobody should be surprised about Nvidia crashing 20% on Monday. If it doesn’t happen? The same words will remain valid for every single day thereafter because like it or not this event is a matter of when not if”. I wouldn’t change a single word today, all the same, is very well at play.

Let me be clear, I have no position on $NVDA and never had one, as a strict principle because 99% of those who ride a fraud, regardless if they do it short or long, will ultimately lose their money in the process.

Hence my purpose is to warn people like the gentleman here in the screenshot that to make $36k, he is more than willing to be exposed to a $54m loss.



r/wallstreetbets
u/totaylfromchina • 17h

THE OLD MAKE $36K / LOSE -$54MM TRADE

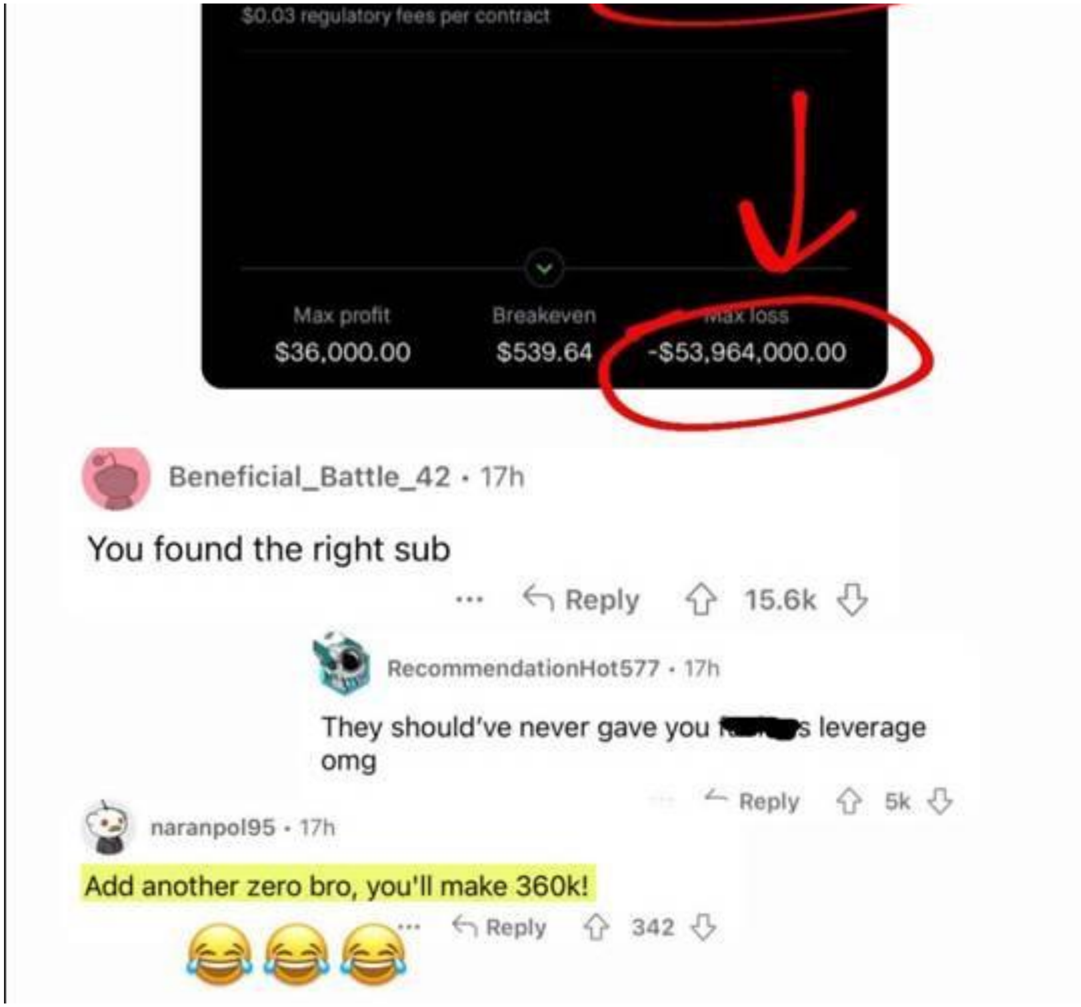
Genuine question I’m new to this so what’s stopping me from doing this and making 36k

Limit order

Sell NVDA $540 Put 3/22 1,000
NVDA $862.87 · $101.12 available

Limit price $0.36
Bid $0.36 · Ask $0.53

Estimated min credit $35,970.00
$0.36 × 100,000 Shares



$0.03 regulatory fees per contract

Max profit	Breakeven	Max loss
$36,000.00	$539.64	-$53,964,000.00

Beneficial_Battle_42 · 17h

You found the right sub

RecommendationHot577 · 17h

They should've never gave you [redacted] leverage omg

naranpol95 · 17h

Add another zero bro, you'll make 360k!

😂😂😂

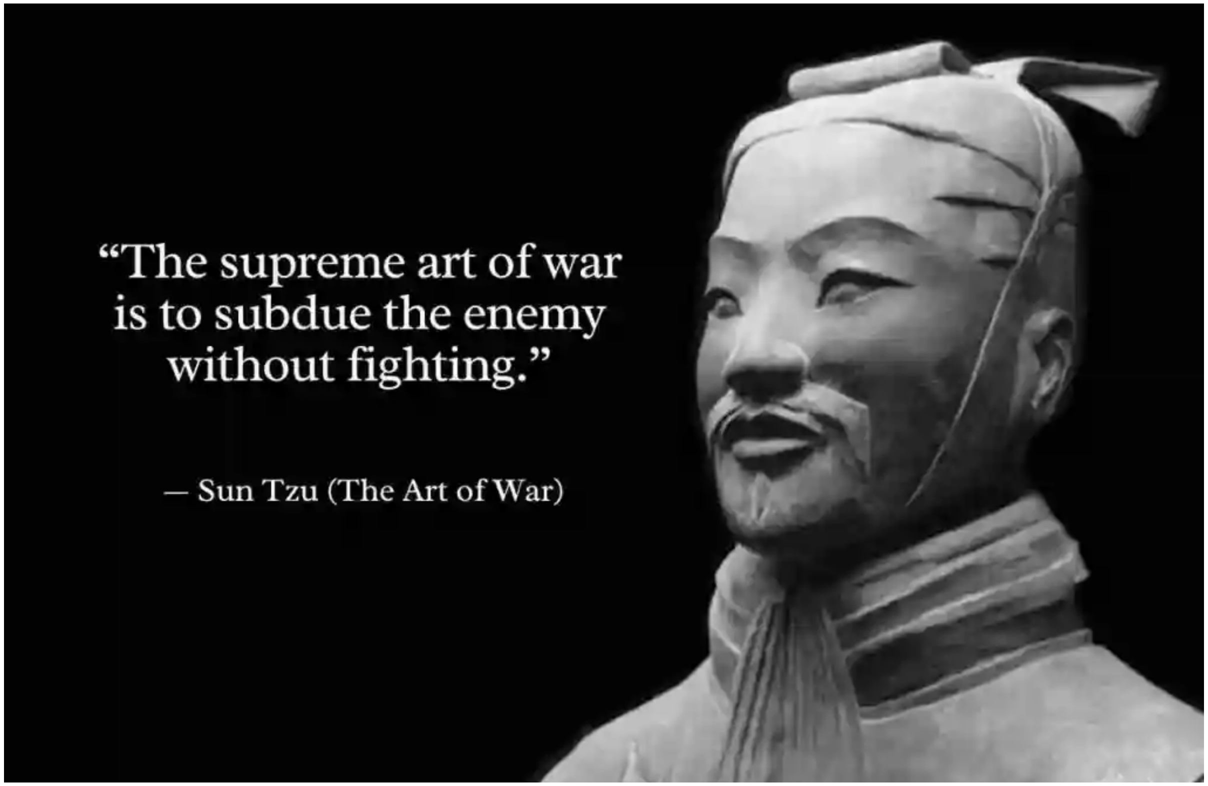
Of course, this event has 0.0001% chance to happen since that will require $NVDA price to crash almost instantly to zero, however, the chances that $NVDA free falls by next Friday below $540 aren't so remote at all. I seriously doubt this person has the funds to cover a loss that can quickly go in the millions, who will cover it then? Of course, his broker will not wait for $NVDA price to reach $540 but will surely liquidate that position long before that without additional collateral being provided by the investor. Be careful of what you are doing because many out there, perhaps unconsciously like this gentleman, are at risk of being wiped out and ruining their lives forever.

justdario.com

IS #CHINA ABOUT TO HIT #US WHERE IT WILL HURT THE MOST?

Dario

6–8 minutes


“The supreme art of war
is to subdue the enemy
without fighting.”
— Sun Tzu (The Art of War)

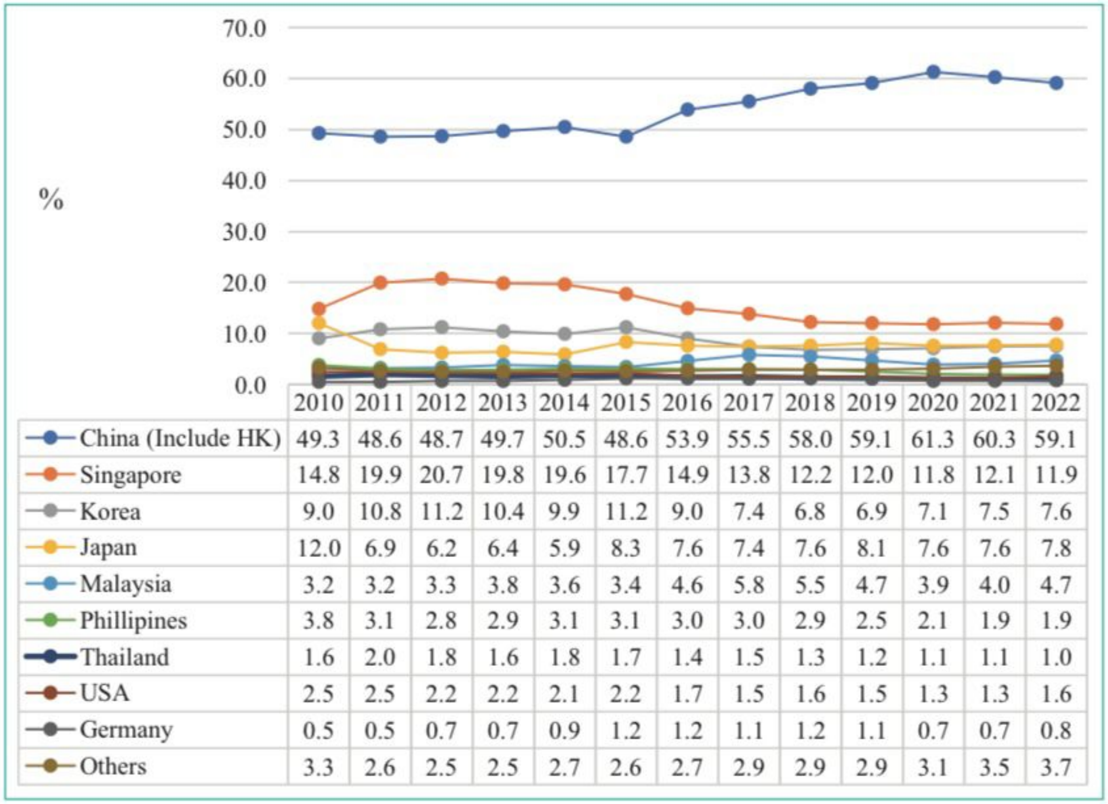
Since last Thursday, a strange tension could be sensed on trading floors in Hong Kong and China, then on Friday, the [$CNY](#) suddenly sold off against the [$USD](#). While the event has been greatly overlooked so far by investors, it might have been a pretty loud warning about the next move [#china](#) is going to make soon.

During the weekend, I heard that the move was triggered in the offshore market where a significant amount of $CNY was suddenly sold and only mitigated by #China SOEs promptly stepping in to mitigate the impact. So I investigated further. What happened in the offshore market and didn’t make any MSM headlines, was that some lenders suddenly hiked their short-term offer rates by 50-60 basis points up to ~3% to raise $CNY funding that was quickly converted into $USD. Why the sudden need for $USD? This is not confirmed, let me be clear, but it looks like someone pulled out a large chunk of $USD deposits held offshore from various Chinese lenders. Why such urgency? After living in Hong Kong for more than 10 years, based on personal experience, I can link this behavior with the risk that the well-informed might be preparing for a big government move to happen anytime.

Frankly, I don’t think #China is planning anything military on #Taiwan, but the events might have something to do with Taiwan. What exactly? Semiconductors.

According to the “TAIWAN AND THE GLOBAL SEMICONDUCTOR SUPPLY CHAIN” report published last year by the Taiwan-ROC representative office in Singapore, it reported #China is the major country where Taiwan-made microchips are exported the most (and by far).

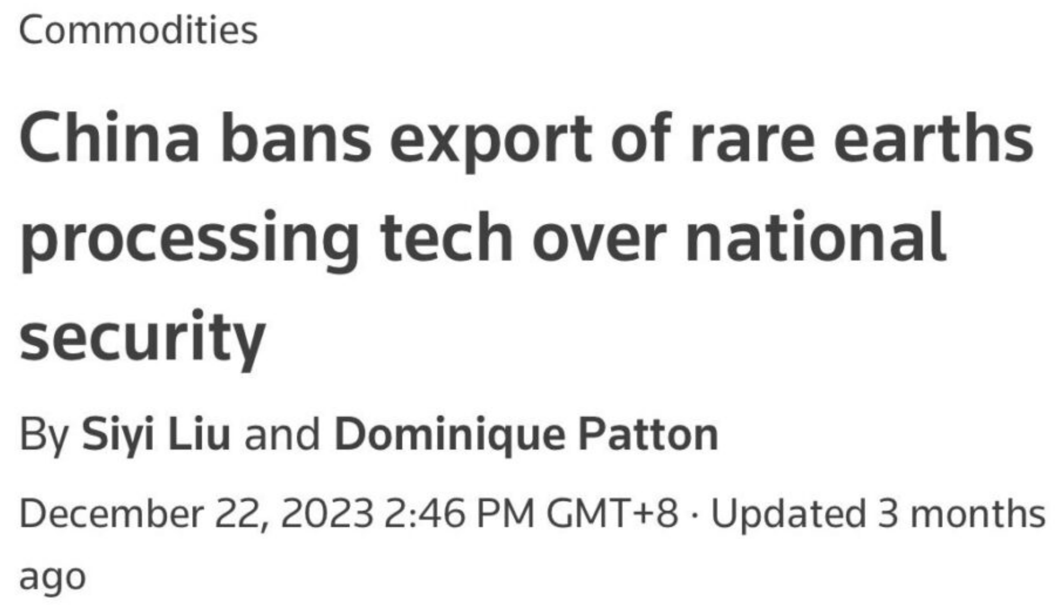
Figure 5: Share of IC Exports from Taiwan



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
China (Include HK)	49.3	48.6	48.7	49.7	50.5	48.6	53.9	55.5	58.0	59.1	61.3	60.3	59.1
Singapore	14.8	19.9	20.7	19.8	19.6	17.7	14.9	13.8	12.2	12.0	11.8	12.1	11.9
Korea	9.0	10.8	11.2	10.4	9.9	11.2	9.0	7.4	6.8	6.9	7.1	7.5	7.6
Japan	12.0	6.9	6.2	6.4	5.9	8.3	7.6	7.4	7.6	8.1	7.6	7.6	7.8
Malaysia	3.2	3.2	3.3	3.8	3.6	3.4	4.6	5.8	5.5	4.7	3.9	4.0	4.7
Phillipines	3.8	3.1	2.8	2.9	3.1	3.1	3.0	3.0	2.9	2.5	2.1	1.9	1.9
Thailand	1.6	2.0	1.8	1.6	1.8	1.7	1.4	1.5	1.3	1.2	1.1	1.1	1.0
USA	2.5	2.5	2.2	2.2	2.1	2.2	1.7	1.5	1.6	1.5	1.3	1.3	1.6
Germany	0.5	0.5	0.7	0.7	0.9	1.2	1.2	1.1	1.2	1.1	0.7	0.7	0.8
Others	3.3	2.6	2.5	2.5	2.7	2.6	2.7	2.9	2.9	2.9	3.1	3.5	3.7

The question nobody has been really asking so far is why #china has been stockpiling so many chips from Taiwan. Perhaps the answer is, that Taiwan might not be in the condition to produce that many at some point in the future. How could that be possible? Well, rare earths necessary to produce chips in #Taiwan come almost entirely from… #China.

A few months ago, #China tightened the controls on exports of rare earths over “national security” concerns, remember?



Commodities

China bans export of rare earths processing tech over national security

By **Siyi Liu** and **Dominique Patton**

December 22, 2023 2:46 PM GMT+8 · Updated 3 months ago

What might be coming is a further tightening of these curbs, and China logically might have been seriously considering allowing rare earth exports only to manufacture chips for the #china market, sending a significant shockwave across the whole semiconductors industry. If this happens, the immediate impact will be a sharp drop in the productive capacity of Taiwan which will also impact China in the short term (hence the need to stockpile chips).

At this point, Taiwan will be in a very tough spot, either complying with the new restrictions and keeping 50% of their semiconductor exports in place or “playing tough” with China, threatening to put the entire semiconductors supply chain on a standstill. In this situation, I expect Taiwan to choose the first option because the second one will put the island’s economy on its knees very quickly.

What if Taiwan pretends to comply with it but then uses China’s rare earth to produce chips and then export them to other countries? This will give China the perfect excuse to enforce a commercial blockade because China has to keep production going in the medium term for its own national security interests too, till the local manufacturers can replace the outputs from Taiwan in terms of both quantity and quality.

Choking Taiwan’s semiconductor industry will significantly reduce the island’s geopolitical importance, weakening (although less significantly than anyone thinks) China’s competitors from an industrial perspective and making the island way less strategically important to be defended.

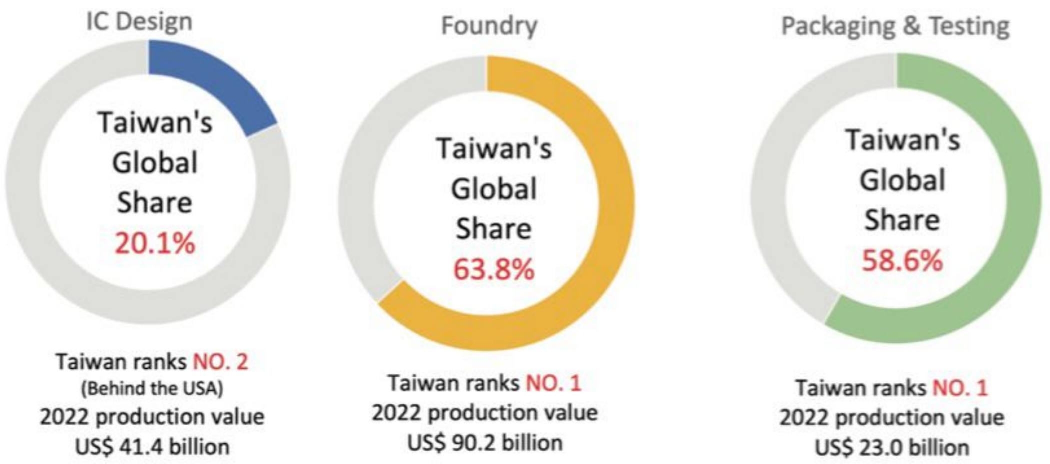
Of course, such a move, even if not military, won’t come without consequences and China’s competition will likely fight back with commercial and financial sanctions, in particular with the use of $USD to settle international payments, in particular, to pay Chinese suppliers (that for the vast majority still prefer payments in foreign currencies they keep in offshore account versus $CNY).

At this point, foreign companies will either comply with buying $CNY to settle payments with their Chinese suppliers or face major supply chain disruptions. Will they be allowed to do so though? I doubt otherwise the $CNY might become significantly stronger. What will likely happen is a settlement of imports via commodities China is in need of import. Companies in China will then sell these commodities back to the government onshore for $CNY payments.

Clearly, Chinese offshore lenders will have a hard time holding foreign currency, especially $USD, and processing payments in case of sanctions, which is why some (well-informed) depositors might have transferred out their $USD last Friday (triggering a sudden drop in the $CNY as described at the beginning of the article).

Needless to say, all that I described will hit #US where it hurts the most right now, its stock market because, from a semiconductors supply perspective, as you can see from above, only a small part is exported by Taiwan to the US, and they can quickly replace that, for example, increasing their imports from South Korea. As a matter of fact, despite the whole world has been brainwashed to think semiconductors are synonymous with GPUs, the truth is most of the semiconductors needed by the current industrial complex are the far less powerful ones, and those can be sourced ramping up the production outside Taiwan that in the grand scheme of things accounts for ~60% of the global market (out of which ~60% is exported to #China and only ~1% #US). This by itself will already decrease significantly in the future with the US and other Western countries subsidizing tech companies hard to bring onshore the strategically important part of semiconductors manufacturing.

Figure 4: Taiwan's Global Share in the Semiconductor Industry



Source: IEK Consulting, ITRI. Industrial Development Bureau (IDB), Ministry of Economic Affairs (MoEA), R.O.C. (Taiwan), July 2023.

However, as I hinted, a Chinese move on Taiwan's semiconductor industry will hit the high-flying tech stocks that lifted US listed #stocks indexes beyond realistic levels, in particular $NVDA, since all of them are almost totally dependent on Taiwan for the production of their ("so much in demand") semiconductors.

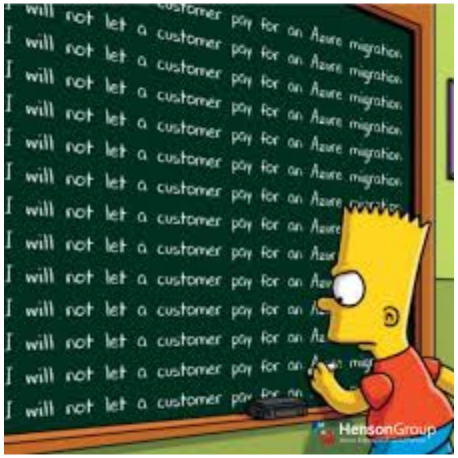
To conclude, #China doesn’t need to invade or blockade Taiwan to deliver significant financial damage to the US that has in its #stocks bubble a big Achilles heel. Is all I described about to happen? Perhaps we will know the answer in the not-so-distant future.

justdario.com

WHAT IF NVIDIA SIMPLY TAGGED ALONG WITH A MICROSOFT AZURE SCAM PLAYBOOK?

Dario

5–7 minutes


I will not let a customer pay for an Azure migration
I will not let a customer pay for an Azure migration
I will not let a customer pay for an Azure migration
I will not let a customer pay for an Azure migration
I will not let a customer pay for an Azure migration
I will not let a customer pay for an Azure migration
HensonGroup

3 months ago in “NVIDIA, ITS RECYCLED “#AI REVOLUTION” AND THE DARK SIDE OF IT KEPT AWAY FROM THE PUBLIC”, we already saw how the “#AI Revolution” was a PR campaign #NVIDIA tried to push

already several times in the past without success. #OpenAI, a company founded on the 11th of December 2015 by Sam Altman, Greg Brockman, Elon Musk, Jessica Livingston, Peter Thiel, Microsoft, AWS, Infosys, and YC Research, had as a main goal to develop #AI as a non-profit endeavor for the benefit of humanity. Yes "non-profit", what an aberration!

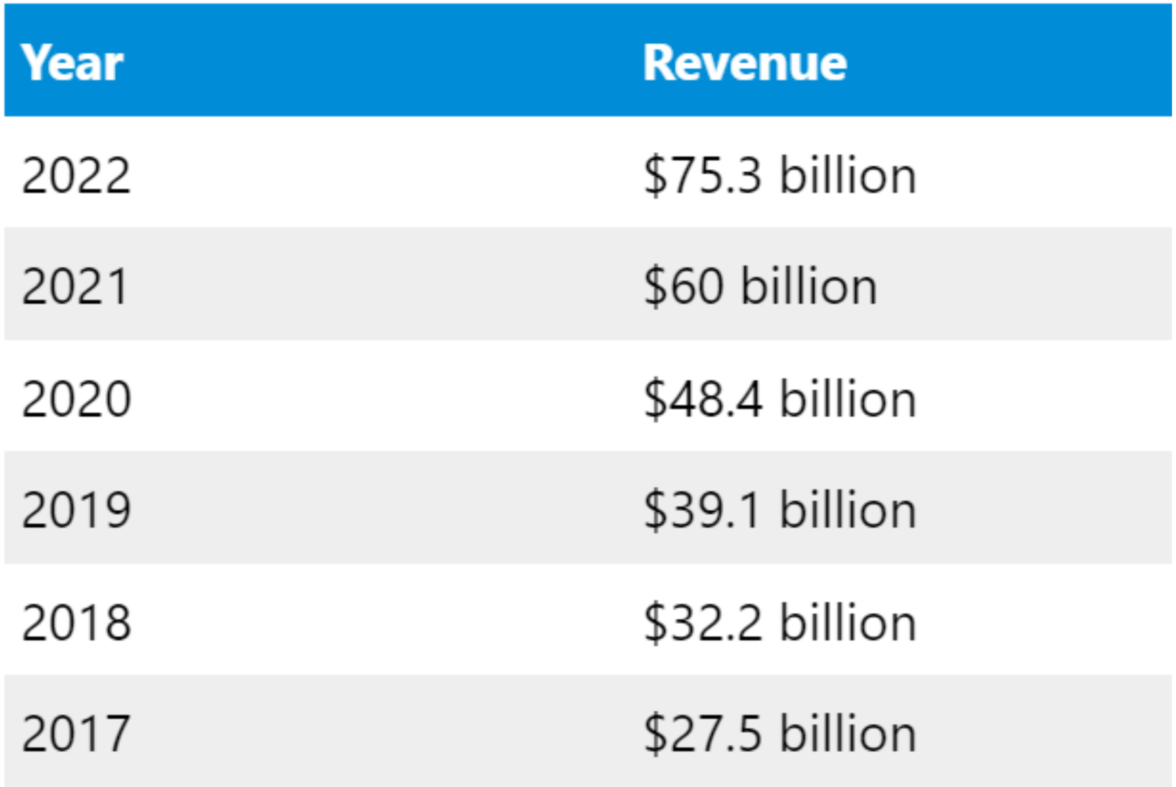
There is a name from the list above I would like you to focus on: #Microsoft

What's wrong with them? "OpenAI has received just a fraction of Microsoft's $10 billion investment"

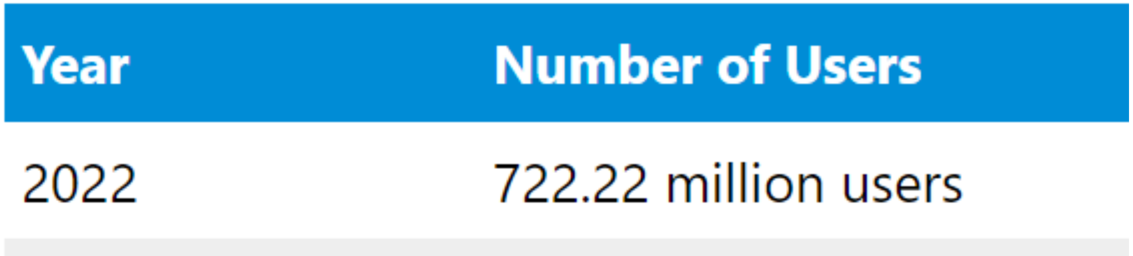
So what exactly did Microsoft do? Putting aside the very misleading PR campaign, which is supposed to be illegal behavior but who cares nowadays, Microsoft invested ~1bn$ in #OpenAI while the rest were "credits" to use Azure servers… meant to be built upon NVIDIA GPUs since that was how #OpenAI technology was being developed since the 2012 breakthrough: "ImageNet Classification with Deep Convolutional Neural Networks"

Fun fact, this #Microsoft master plan isn't even a mystery since the company itself made a press release in 2019 about it: "OpenAI forms exclusive computing partnership with Microsoft to build new Azure AI supercomputing technologies"

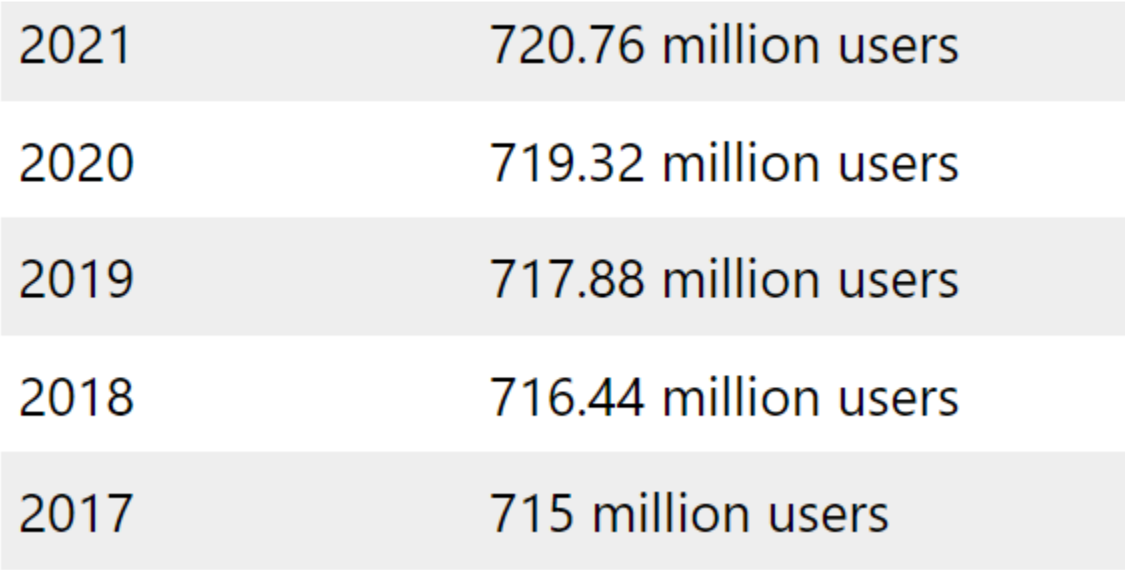
Putting things into another perspective, #OpenAI was simply the Trojan horse to inflate Microsoft Azure revenues. Wait, what? Please have a look at the 2 tables below from the article “[Microsoft Azure Revenue and Growth Statistics (2024)]”



Year	Revenue
2022	$75.3 billion
2021	$60 billion
2020	$48.4 billion
2019	$39.1 billion
2018	$32.2 billion
2017	$27.5 billion

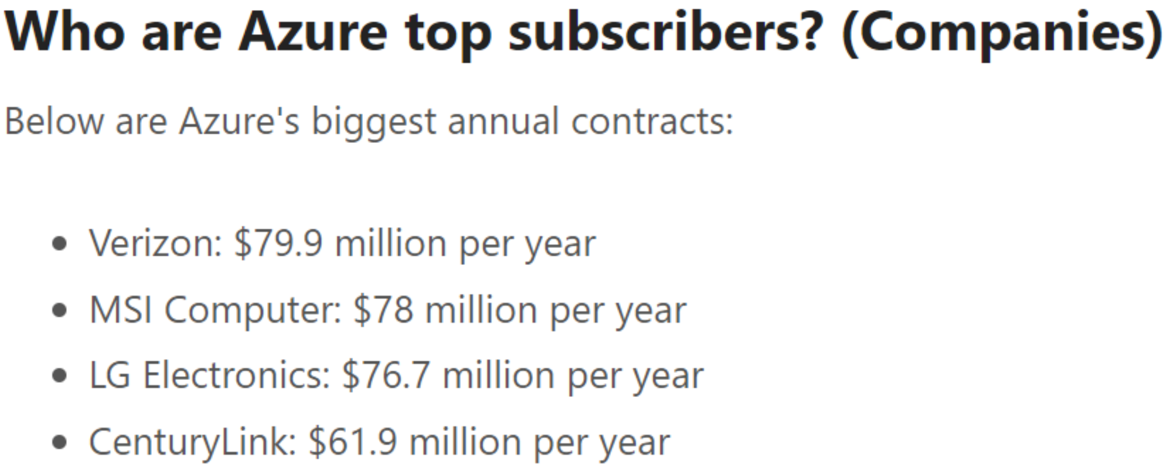


Year	Number of Users
2022	722.22 million users



2021	720.76 million users
2020	719.32 million users
2019	717.88 million users
2018	716.44 million users
2017	715 million users

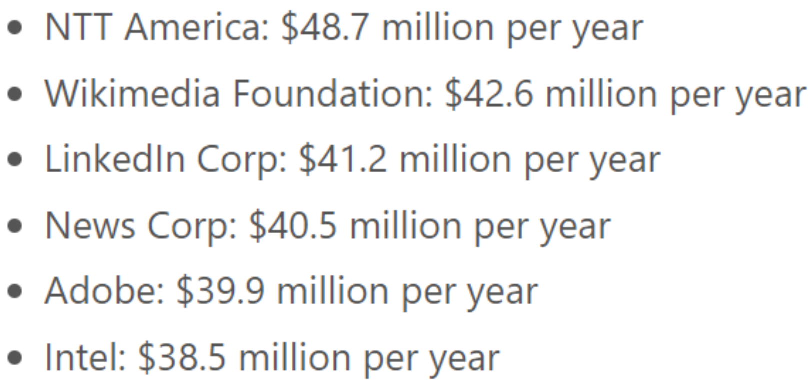
Do you notice anything strange? Yes, I bet you do, the number of users only grew by ONE percent between 2017 and 2022 while Azure revenues grew by 273%. Did companies really spend three times more for cloud services in the same period of time? Let's have a look at that starting from the list of the biggest annual contracts with Azure.



Who are Azure top subscribers? (Companies)

Below are Azure's biggest annual contracts:

- Verizon: $79.9 million per year
- MSI Computer: $78 million per year
- LG Electronics: $76.7 million per year
- CenturyLink: $61.9 million per year

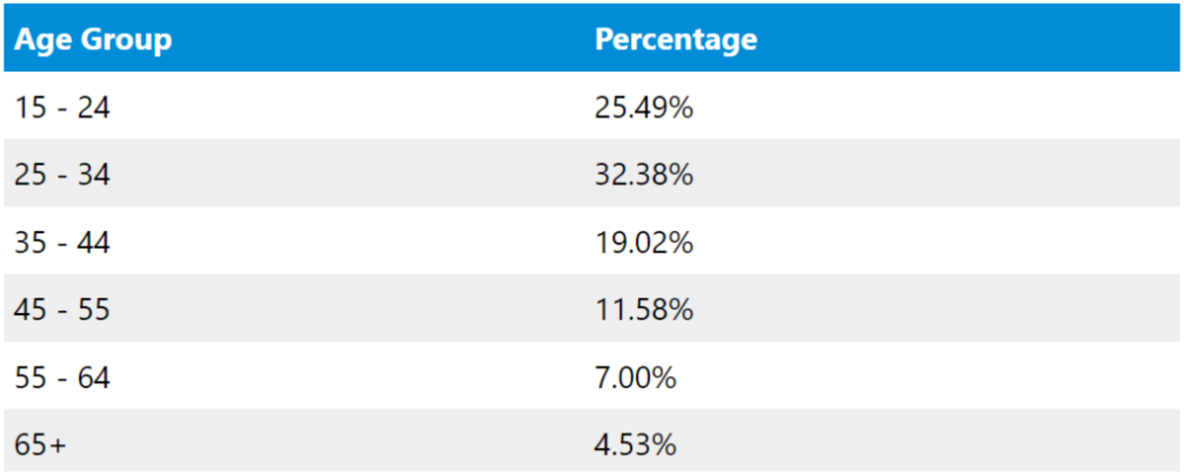


- NTT America: $48.7 million per year
- Wikimedia Foundation: $42.6 million per year
- LinkedIn Corp: $41.2 million per year
- News Corp: $40.5 million per year
- Adobe: $39.9 million per year
- Intel: $38.5 million per year

I checked all the names above and their cloud computing expenses are so minimal that they are not shown separately in their financial statements, however, all these companies either spent a similar amount of money in operating expenses through the years or in many cases, this cost decreased. So we cannot answer the question above, however, it is pretty strange to increase revenues by that much while maintaining the same number of clients, isn't it?

However, what we can definitely say with certainty is, that there is no chance #OpenAI will ever be capable of spending ~9bn$ of Azure credit in any realistic future when the biggest Azure client pays Microsoft less than ~100m$ a year. Even assuming #OpenAI spends DOUBLE every year than a humongous company like Verizon, it will still take FORTY-FIVE YEARS to go through all those #Microsoft Azure credits! I mean, when Intel spends less than 40m$ a year how realistic is any of the above? I will leave this question open for today.

There is another very strange thing I noticed about Azure, as you can see from the table below, according to the statistics 25.5% of the users are in the 15-24 years old age group. Hold on a second, aren't those people in school or university? Yes. Would those people, or the institutions where they study pay for Azure by any stretch of the imagination? If anything, very little. If you add people 65 years old or older then 30% of total Azure users are not in the workforce.



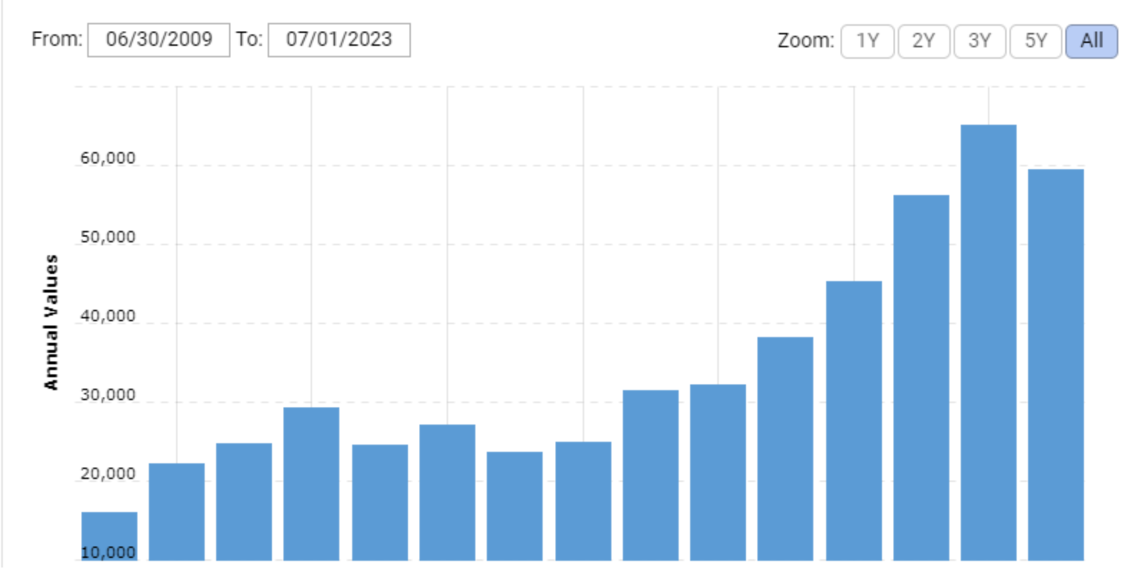
Age Group	Percentage
15 - 24	25.49%
25 - 34	32.38%
35 - 44	19.02%
45 - 55	11.58%
55 - 64	7.00%
65+	4.53%

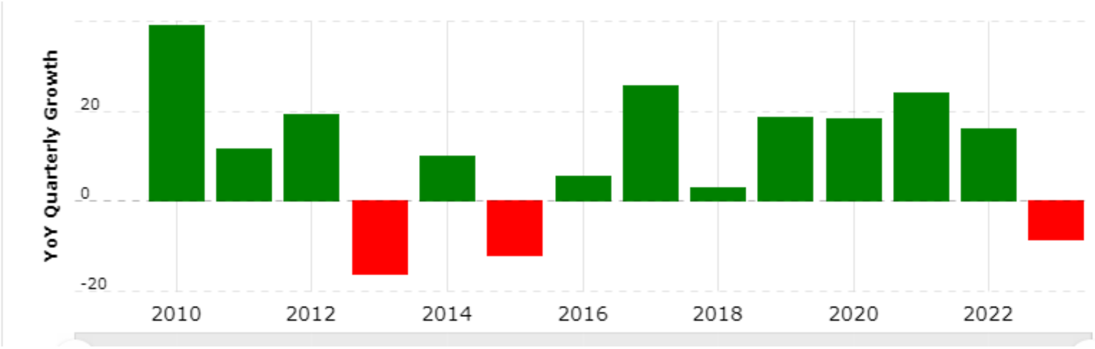
So, there is very little chance that 30% of Azure "customers" pay any meaningful bill to #Microsoft, this means that the average return per user of Azure (ARPU) in 2022 was… 148.5$. And let's be clear this puts the likes of Verizon and a 15-year-old kid at the same level……..

Is it only me or do those numbers not make sense at all?

So this is, in my opinion, what's going on. #Microsoft is so obviously inflating its Azure revenues, by how much is hard to say but by the look of it seems quite a lot. Because of this, the company needs to keep building servers across the globe even if, with a high chance, there is minimal use for most of them. This wasn't enough though, Azure needed "real" customers with a virtually big price tag, and here is when #OpenAI comes in handy to justify its business line growth. The problem here is, as it is very obvious in the case of #OpenAI 9bn$ of "credits", those revenues are not real ones but a simple accounting trick!

What happens when the growth in revenues comes from growth in "virtual" revenues and not from "real" ones paid in cash? The company's Free Cash Flow growth becomes negative even if revenues keep growing. What happened to Microsoft's latest annual FCF growth? Here you go..





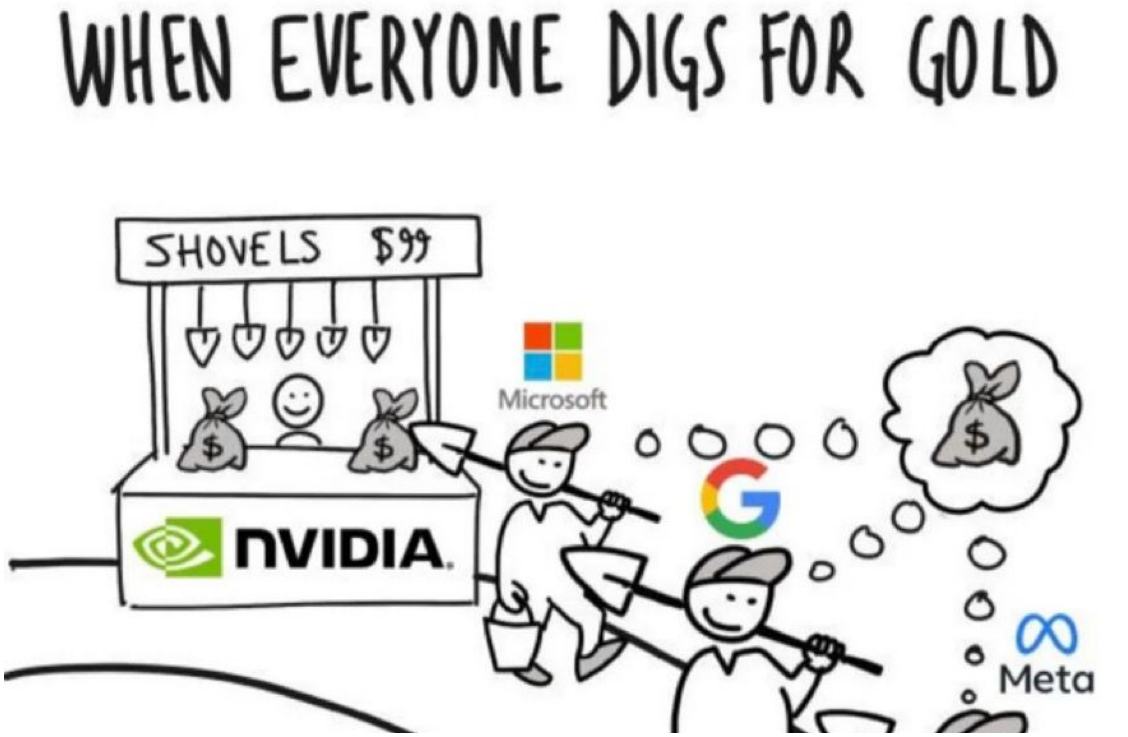
What are the chances that Nvidia figured this out and tagged along with a scheme that #Microsoft spearheaded and has been imitated in different shapes or forms by other US Tech Mega Cap companies? What are the chances that after saturating its top customers (META, AMZN, MSFT, and GOOG) the company kept creating fake buyers like Coreweave and inflating its revenues stretching the limits of customer financing in some cases beyond what's legal? I will leave these questions too open.

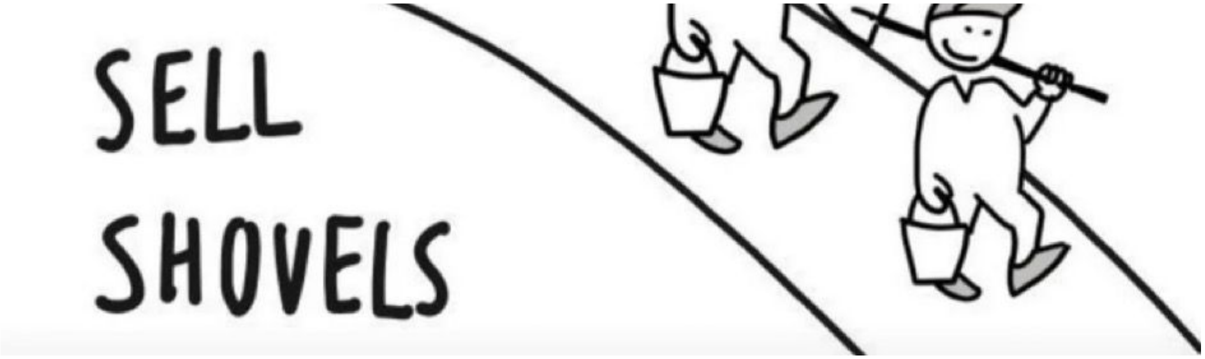
justdario.com

NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE

Dario

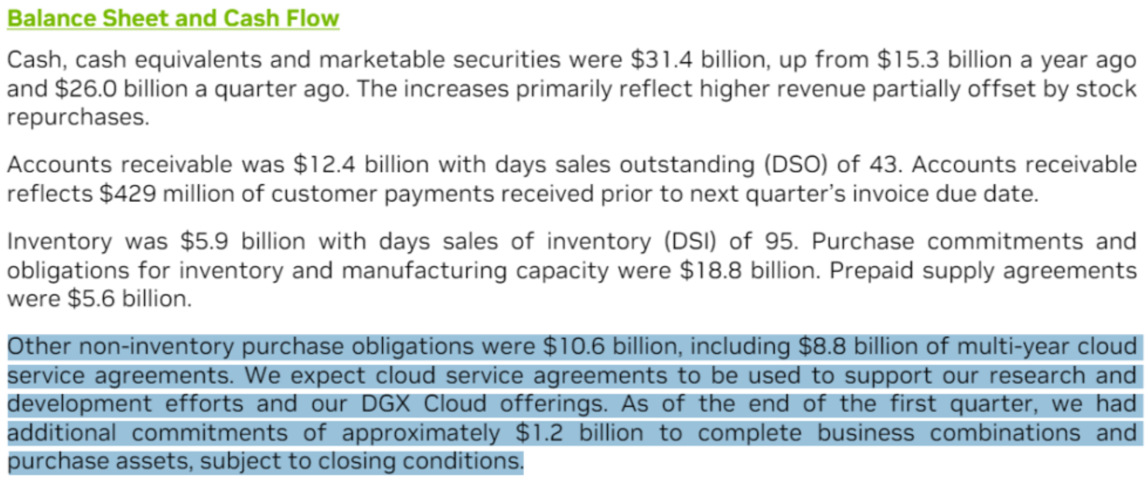
4–5 minutes


WHEN EVERYONE DIGS FOR GOLD
SHOVELS $99
$
$
$
NVIDIA
Microsoft
Meta



Yesterday, I posed this question: "WHAT IF NVIDIA SIMPLY TAGGED ALONG WITH A MICROSOFT AZURE SCAM PLAYBOOK?". Twenty-four hours later, the company themselves replied to the question (I believe involuntarily), and the answer was "YES".

Please take a look at the part I highlighted from the #NVIDIA CFO commentary related to the results just released.



Balance Sheet and Cash Flow

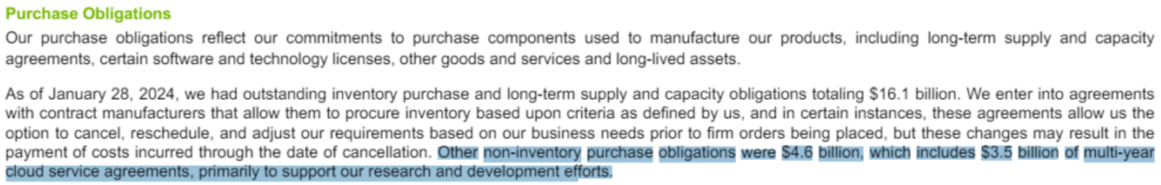
Cash, cash equivalents and marketable securities were $31.4 billion, up from $15.3 billion a year ago and $26.0 billion a quarter ago. The increases primarily reflect higher revenue partially offset by stock repurchases.

Accounts receivable was $12.4 billion with days sales outstanding (DSO) of 43. Accounts receivable reflects $429 million of customer payments received prior to next quarter's invoice due date.

Inventory was $5.9 billion with days sales of inventory (DSI) of 95. Purchase commitments and obligations for inventory and manufacturing capacity were $18.8 billion. Prepaid supply agreements were $5.6 billion.

Other non-inventory purchase obligations were $10.6 billion, including $8.8 billion of multi-year cloud service agreements. We expect cloud service agreements to be used to support our research and development efforts and our DGX Cloud offerings. As of the end of the first quarter, we had additional commitments of approximately $1.2 billion to complete business combinations and purchase assets, subject to closing conditions.

Now, wisely buried in the 10-Q from the previous quarter, let's have a look at how these "non-inventory purchase obligations" appeared.



Purchase Obligations

Our purchase obligations reflect our commitments to purchase components used to manufacture our products, including long-term supply and capacity agreements, certain software and technology licenses, other goods and services and long-lived assets.

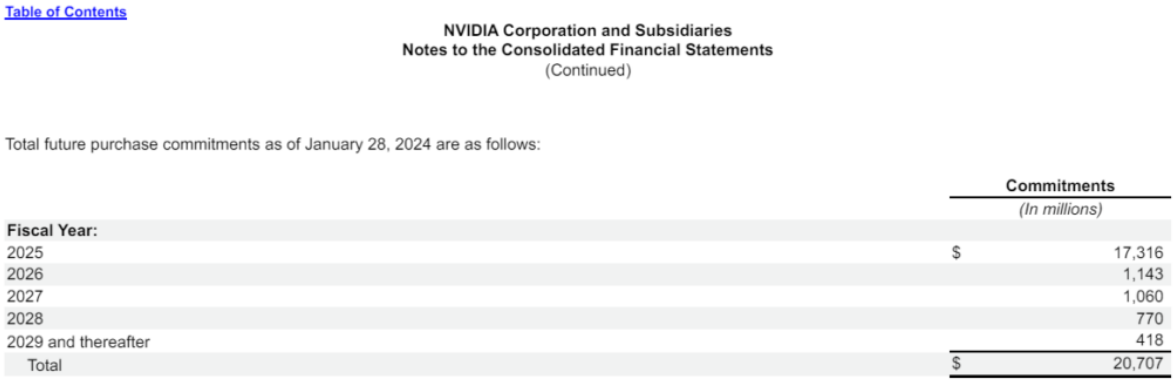
As of January 28, 2024, we had outstanding inventory purchase and long-term supply and capacity obligations totaling $16.1 billion. We enter into agreements with contract manufacturers that allow them to procure inventory based upon criteria as defined by us, and in certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed, but these changes may result in the payment of costs incurred through the date of cancellation. Other non-inventory purchase obligations were $4.6 billion, which includes $3.5 billion of multi-year cloud service agreements, primarily to support our research and development efforts.

Yes, you are not hallucinating; in one quarter, NVIDIA's future commitments to purchase cloud services for "R&D" increased by a whopping TWO-HUNDRED AND FIFTY-ONE PERCENT to 8.8bn USD.

Hold on a second, is #NVIDIA selling GPUs to cloud providers in exchange for buying back "cloud services" from them, thereby artificially inflating the price of their GPUs? Alright, let's dig further into this.

Unfortunately, the 10-Q for the latest results is not yet available, but in every previous one, we find a recap of #NVIDIA's "future purchase commitments".

Q1-24



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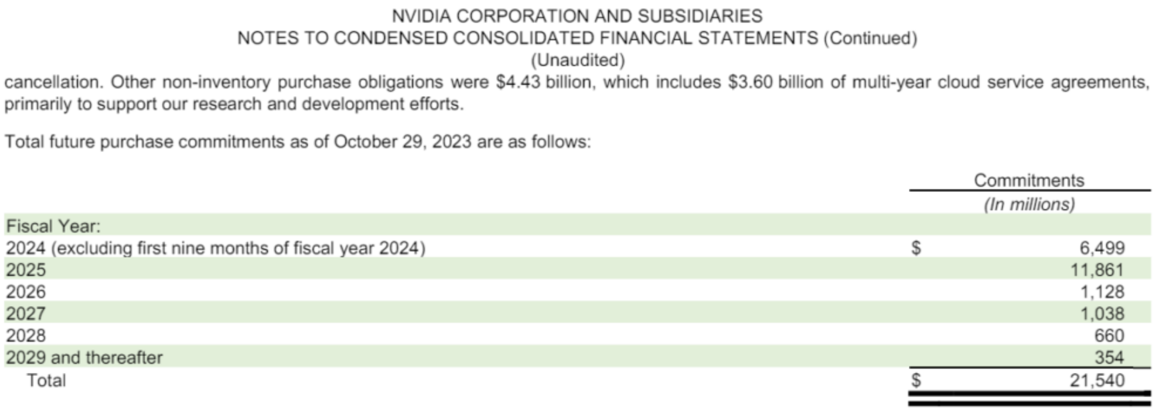
NVIDIA Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
(Continued)

Total future purchase commitments as of January 28, 2024 are as follows:

	Commitments *(In millions)*
Fiscal Year:	
2025	$ 17,316
2026	1,143
2027	1,060
2028	770
2029 and thereafter	418
Total	$ 20,707

Q4-23



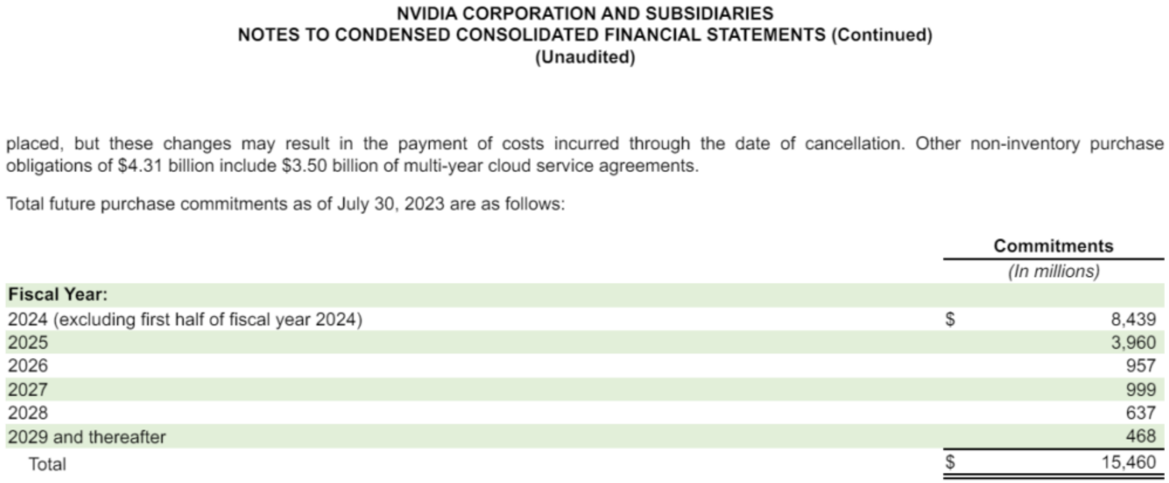
NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

cancellation. Other non-inventory purchase obligations were $4.43 billion, which includes $3.60 billion of multi-year cloud service agreements, primarily to support our research and development efforts.

Total future purchase commitments as of October 29, 2023 are as follows:

	Commitments (In millions)
Fiscal Year:	
2024 (excluding first nine months of fiscal year 2024)	$ 6,499
2025	11,861
2026	1,128
2027	1,038
2028	660
2029 and thereafter	354
Total	$ 21,540

Q3-23



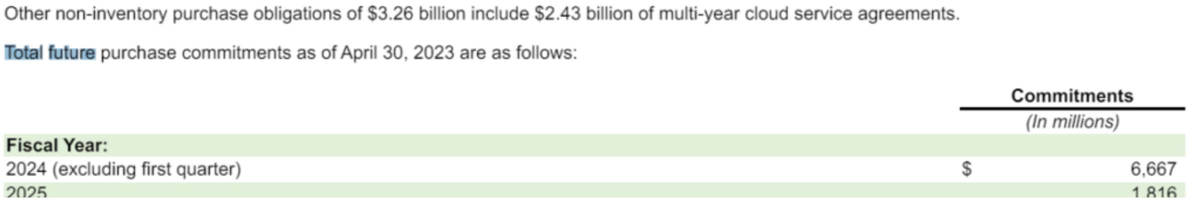
NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

placed, but these changes may result in the payment of costs incurred through the date of cancellation. Other non-inventory purchase obligations of $4.31 billion include $3.50 billion of multi-year cloud service agreements.

Total future purchase commitments as of July 30, 2023 are as follows:

	Commitments *(In millions)*
Fiscal Year:	
2024 (excluding first half of fiscal year 2024)	$ 8,439
2025	3,960
2026	957
2027	999
2028	637
2029 and thereafter	468
Total	$ 15,460

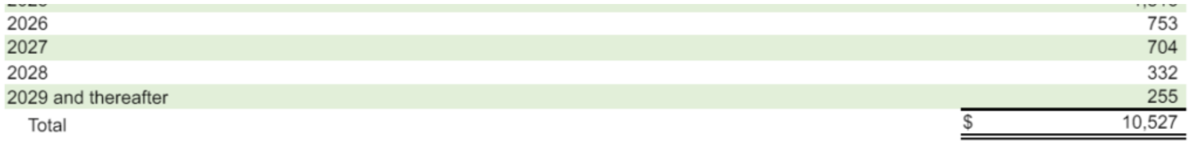
Q2-23



Other non-inventory purchase obligations of $3.26 billion include $2.43 billion of multi-year cloud service agreements.

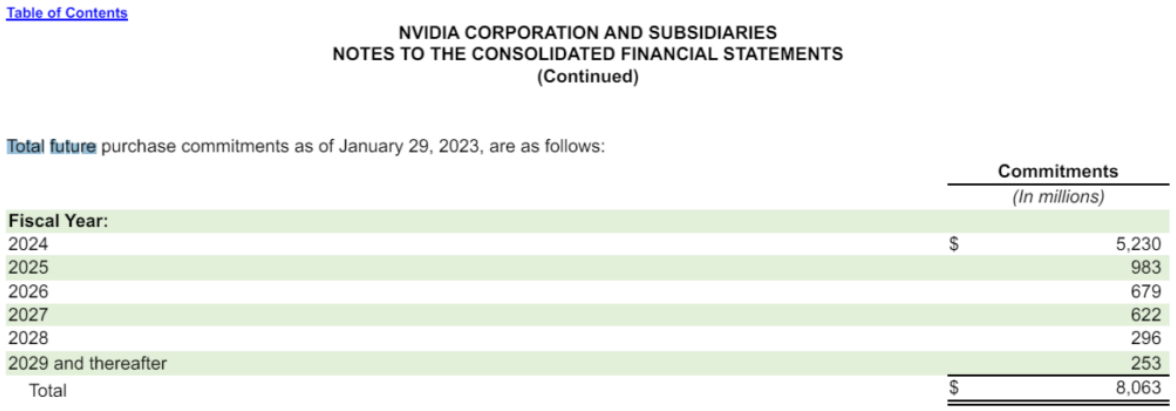
Total future purchase commitments as of April 30, 2023 are as follows:

	Commitments *(In millions)*
Fiscal Year:	
2024 (excluding first quarter)	$ 6,667
2025	1,816



2026		753
2027		704
2028		332
2029 and thereafter		255
Total	$	10,527

Q1-23



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NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Total future purchase commitments as of January 29, 2023, are as follows:

		Commitments *(In millions)*
Fiscal Year:		
2024	$	5,230
2025		983
2026		679
2027		622
2028		296
2029 and thereafter		253
Total	$	8,063

Honestly, isn't it pretty obvious what's going on here? Strangely enough, from Q2-23 to the end of Q1-24 (they did not disclose the data in Q1-23), #NVIDIA's total "future non-inventory purchase commitments" for cloud services increased by THREE-HUNDRED AND SIXTY-TWO PERCENT.

Wait a minute, there is another strange thing in the tables above. In the latest results, #NVIDIA declares:

- 18.8bn$ of future inventory commitments
- 10.6bn$ of future non-inventory commitments
- TOTAL 29.4bn$

This means that #NVIDIA increased the orders with its suppliers to produce GPUs only by 16.7% while total "future commitments" increased by 42%. What about inventory orders compared to one year ago? They grew from 7.24bn$ to 18.8bn$ or TWO-HUNDRED AND FIFTY-NINE PERCENT

Wait a minute, by how much did #NVIDIA's "Computer and Networking" revenues grow over the past year? 404%…

Basically, #NVIDIA pretends us to believe that:

- Its clients purchase in big sizes never asking for a discount (and do not forget ~50% of the total revenues come from just 4 names: Amazon, Microsoft, Google, and Meta)
- Its suppliers continue producing at the same costs over the years despite the "boom" in order

So clearly the laws of demand and supply do not apply to #NVIDIA unless… the company keeps rebates to clients and production costs increases by its suppliers off-the-book to keep showcasing unrealistic margins in the same way they did, and got fined for, in the aftermath of the dotcom bust: NVIDIA CURRENTLY EMPLOYING THE SAME ACCOUNTING TRICK TO INFLATE ITS MARGINS IT WAS PREVIOUSLY CAUGHT USING DURING THE DOT-COM BUBBLE?

As if the above I described was not already enough, we already know:

- NVIDIA is inflating its sales via client financing. In some very peculiar situations, Nvidia is even a significant shareholder of them, like in the case of Coreweave: NVIDIA (PONZI) "LIES" UNDER NVIDIA NOSE
- NVIDIA is gamma-squeezing its own stock: NVIDIA – THE (FRAUD) SMOKING GUN?

At this point, I believe there is no more doubt that #NVIDIA is only one piece of a bigger fraudulent puzzle.

— IMPORTANT ARTICLE UPDATE —

Below is what I realized after writing the article and first posted about it on X (post)

Isn't it obvious that #Microsoft and #Nvidia are helping each other to fabricate (fake) revenues? "Microsoft signs deal for A.I. computing power with Nvidia-backed CoreWeave that could be worth billions"

Basically…

1- #NVIDIA invests in #Coreweave

2- #Coreweave buys (overpriced) #NVIDIA GPUs.

3- #Coreweave raises financing using #NVIDIA GPUs as collateral. What do they do with that? They buy more #NVIDIA GPUs, of course…

4- Meanwhile #Microsoft signs a deal with #Coreweave worth "billions" for future use of a cloud infrastructure #Coreweave didn’t even begin to build yet while #Microsoft is, at the same time, loading on #NVIDIA GPUs for Azure that technically is a #Coreweave competitor?!

By the way, who is going to be the major client for Azure AI infrastructure? #OpenAi… where Microsoft invested “paying” the investment with ~9 billion USD worth of “Credits” for… Azure.

Mind-blowing… Literally mind-blowing

justdario.com

HOW TO FABRICATE REVENUES FOR DUMMIES (A GUIDE)

Dario

5–7 minutes

Dear readers and followers, considering all the material and inspiration provided lately by great corporate barons and myopic regulators, for fairness, I decided to write a brief guide on how to fabricate revenues so everyone can benefit from it, and not only the big corporations that can afford to pay expensive lawyers, consultants, and bankers for advice.

Is what I am going to write about legal? I do not think it is, but apparently, it became legal, and I missed the notice about it. I personally would not recommend any honest citizen use anything in this brief guide, but in a period of history when rules and regulations are so discretionary, I will not judge anyone who decides to take advantage of it.

STEP 1: Your company (Company A) has a big pile of inventory your clients do not want to buy anymore because their end market is saturated. Here is when you have to create a “Narrative” to reignite demand for your goods. Let’s assume you have a pile of semiconductors that are quickly becoming outdated in your inventory.

STEP 2: Create a “Narrative” to reignite interest in your products. Not difficult at all, just pick up a small company that is trying to develop a new product no one wants using your semiconductors and build a marketing campaign around it (Start-Up B).

This service is going to be “revolutionary”, what they are doing is “world-changing”, they will make “billions” in revenues, and so on, are the typical buzzwords that always work to attract attention.

STEP 3: Find a partner (Company C) that gives legitimacy to the small company. This partner can be easily found among your top clients who themselves built up a stack of inventory they struggle to monetize with their end clients.

STEP 4: Now Company C (on paper) invests “billions” in this “revolutionary” Start-Up A that “will change the world”. What does this investment look like? The small start-up does not need tons of cash to run its operations, but you still want to kill two birds with one stone:

- Land a big “headline” in the MSM to trigger a “narrative”
- Put to use the idle capacity you built

So that “billions” investment is in reality a small amount of cash and a big amount of “credits” for this start-up to use in the future.

STEP 5: Both Company A and Company C still face the problem of a depreciating inventory. That’s why other clients of Company A are still not placing orders to jump on this new “revolutionary” opportunity because they can buy those semiconductors from other oversupplied companies that want to get rid of them. This is when Company A “invests” in Company D.

STEP 6: Company D, a completely empty shell, then uses the cash from Company A to place a “large order” for semiconductors at an inflated price. However, the money they got in their bank account, of course, cannot cover the order, so they need to borrow. Company D then goes to Private Investor E and is open to lend on two conditions:

- Company D can demonstrate they will make revenues

- Company D pledges its future assets as collateral

STEP 7: Company C then signs a contract for “future services” with Company D for “billions” with the intention of making those services available to Start-Up B.

STEP 8: Company A receives a call from Private Investor E asking for an appraisal of the value of the semiconductors that will be delivered to Company D. Company A, of course, confirms they expect “huge” future demand because of the “revolutionary” product Start-Up B is building.

STEP 9: Private Investor E agrees to lend the money, and then Company D pays for the delivery to Company A.

STEP 10: Company A then agrees to buy “future services” from Company C which will then buy more Company A semiconductors (with the same cash) since now they expect a “pick-up” in future demand. Of course, this new purchase is made at higher prices so both Company A and Company C can “re-evaluate” their inventory at higher levels and then book a (fictitious) “profit”.

At this point all Company A has to do is to replicate Steps 1 to 10 with Company C and make sure to pay for non-stop PR campaigns to entice more companies and private investors to join the scheme.

If you are Private Investor E and you foresee this potential pick up in revenues for both listed companies A and C, why not buy long-dated deep out-of-the-money options on both stocks? Nothing wrong with that… right?

Can this scheme go on forever? Well, theoretically speaking till the money is being printed into the system out of thin air the scheme can be perpetrated for a very long time, however, as you can easily understand when the cash needed to "spin around" and fabricate revenues starts drying then it will come to the point someone won't be able to pay the bills due and as it happened for Enron from that moment on everyone figures out that in reality, the king was naked.

After reading all of the above I believe what we discussed yesterday in "NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE" will be clearer. How many more companies are using similar "tricks" to goose their revenues and consistently "beat" Wall Street Banks (ridiculous) "expectations"? You tell me…

By the way, the gentleman in the picture was Charles Ponzi featured in a popular financial magazine while keeping track of his "successful" investments

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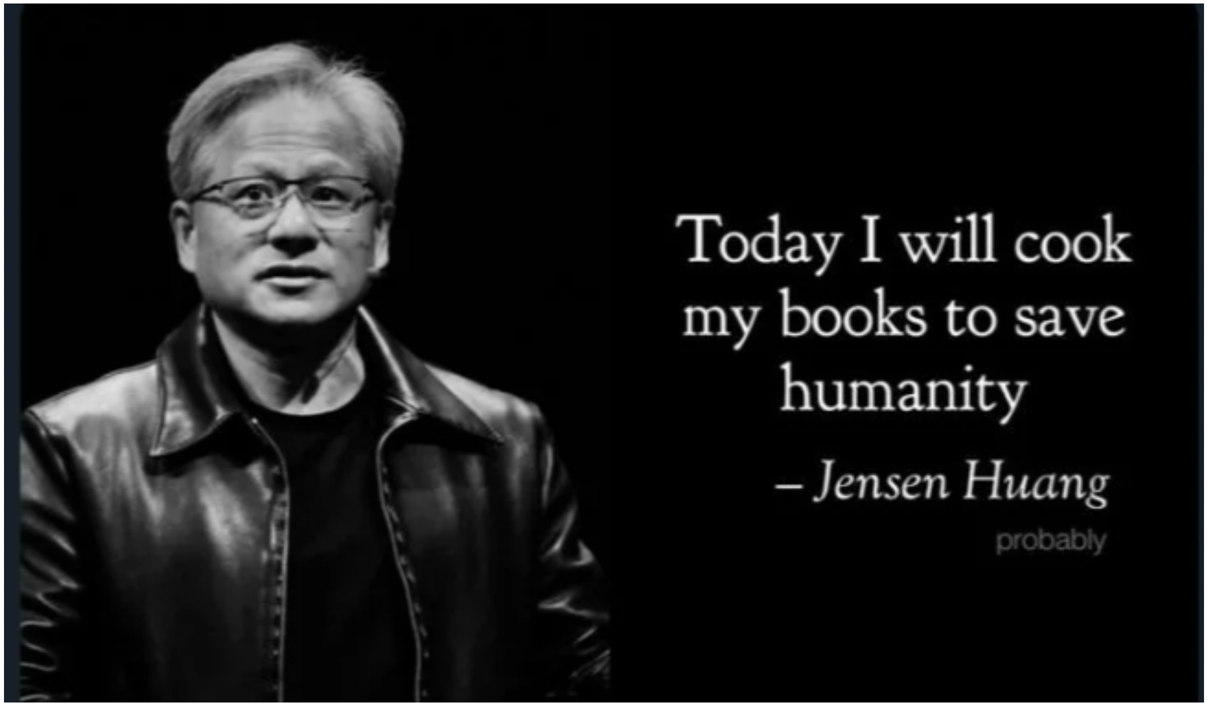
THE DARK CORNERS OF NVIDIA 10-Q REVEAL THE EXTENT OF THE NVIDIA FRAUD

Dario

6–7 minutes


Today I will cook my books to save humanity
– Jensen Huang
probably

The #Nvidia 10-Q for the latest quarter is now out, and I have to admit the company is doing an incredibly good job in covering its back from any potential legal consequences of its actions once the incredible Ponzi scheme they are part of will inevitably collapse under its own weight (NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE).

Please have a look at these two sentences below, of course, placed far away from each other in the Nvidia 10-Q:

“Two indirect customers each represented 10% or more of total revenue for the first quarter of the fiscal year 2025; one of these indirect customers purchased our products primarily through direct Customer B. Both were attributable to the Compute & Networking segment.”

“Sales to one direct customer, Customer A, represented 13% of total revenue and sales to a second direct customer, Customer B, represented 11% of total revenue for the first quarter of the fiscal year 2025, both of which were attributable to the Compute & Networking segment. No customer represented 10% or more of total revenue for the first quarter of fiscal year 2024.”

Do you notice anything strange? Let me help you.

- "Customer B, represented 11% of total revenue for the first quarter of fiscal year 2025."
- "One of these indirect customers purchased our products primarily through direct Customer B."
- "Two indirect customers each represented 10% or more of total revenue for the first quarter of fiscal year 2025."

Yes… All the stock from Customer B is then totally sold to an anonymous "indirect" Customer C.

Wait a minute, why the need for such an arrangement? What's wrong with Nvidia selling directly to customer C? Here we have two options:

- Nvidia needs to circumvent US Government sanctions and/or;
- Customer C is borrowing (likely from Customer B) to purchase Nvidia GPUs.

Why does Nvidia need a scheme to circumvent US sanctions? According to them: **"our inability to sell to a customer due to U.S. or other countries' trade restrictions or any difficulties in collecting accounts receivable would likely harm our financial condition and results of operations."** Is that also the reason why such a big company (on paper) is so reliant on “channel partners” to the point this deserves mention in their risk disclosures? **“With several of these channel partners, we are selling multiple products and systems in our portfolio through their channels.”**

Option 2 does not come out of my fantasy either, but directly from Nvidia’s disclosures: “If end demand increases or our finished goods supply availability is concentrated near a quarter end, the system integrators, distributors, and **channel partners may have limited ability to increase their credit**, which could impact the timing and amount of our revenue.”

Let’s move to another dark side of Nvidia 10-Q now, but before doing so let’s ask ourselves a question: If Nvidia claims such strong commercial bargaining power along with strong demand to the point they can capture a 75%+ profit margin on their sales, why do they accommodate very loose sales terms for their customers? **“Most of our sales are made on a purchase order basis, our customers can generally cancel, change, or delay product purchase commitments with little notice to us and without penalty.”**

Hold on a second here, is Nvidia telling us most of their sales are “purchase orders” that can be canceled anytime without penalty? That’s what it sounds like, doesn’t it?

Let’s move forward because things are getting even juicier.

"In addition, **geopolitical tensions, such as those involving Taiwan and China, which comprise a significant portion of our revenue and where we have suppliers**, contract manufacturers, and assembly partners who are critical to our supply continuity, could have a material adverse impact on us."

and

"**Our Data Center revenue in China is down significantly** from the level prior to the imposition of new export control restrictions in October 2023. We expect the market in China to remain very competitive going forward."

After I did it for the first time 6 months ago, let me ask this question again, how is it possible for Nvidia to sell billions of GPUs to Taiwan every quarter when the total data center revenues in the country are estimated to be ~220m$ a year by 2028 for an expected total capital investment in the country of 3.2bn$ by 2028? November X post

According to my Algebra skills, the math does not add up here. Things become even murkier.

"For example, most of the shipments associated with Singapore revenue went to either the United States or Taiwan in the first quarter of fiscal year 2025."

Wait, what?! Most of the GPUs that are “sold” to Singapore are then shipped out back to Taiwan and the US?

Well, the company itself acknowledges the existence of an “unauthorized gray market,” because, of course, calling it a “black market” would have made it sound too obvious, I guess.

“In general, our new products or previously sold products may be resold online or on the unauthorized “gray market,” which also makes demand forecasting difficult. Gray market products and reseller marketplaces compete with our new products and distribution channels.”

At this point it is fair to ask, is Taiwan the center of a big “unauthorized gray market” for Nvidia products (and, clearly, the company knows about it)? If the answer is “Yes,” the numbers start to make sense.

Personally speaking, I have never encountered these sorts of things in any financial statements before, but what shocks me the most is that nobody, in particular the regulators, is spending time to understand what’s going on with a company that is now worth almost ~3 Trillion dollars and clearly represents a systemic risk for the global financial system.

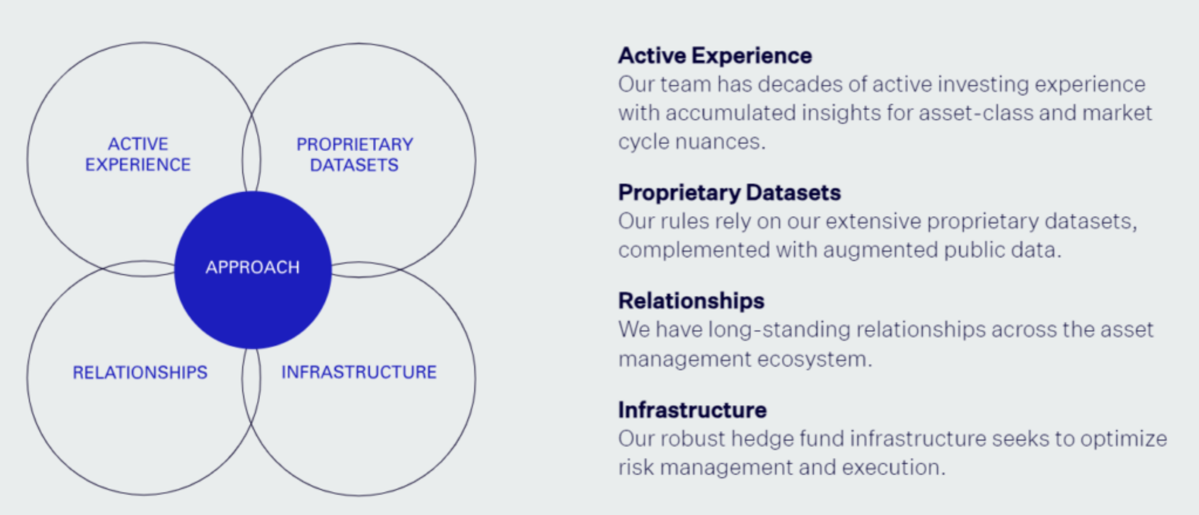
justdario.com

IS MAGNETAR CAPITAL BLOWING AIR INTO THE NVIDIA (PONZI) SCHEME SO THEY CAN BET ON ITS IMPLOSION?

Dario

5–7 minutes

First of all, what is Magnetar Capital (MC)? It's a hedge fund, no wait, it's a private equity, no actually it's a shadow bank, ehm, what the heck is MC? It's a very interesting combination of the three categories I mentioned above and it has been working quite well for MC since 2005. What is the silver lining that links all of the above and allows MC to thrive? There is a word you find very often on their website and it's "Relationships".



Active Experience
Our team has decades of active investing experience with accumulated insights for asset-class and market cycle nuances.

Proprietary Datasets
Our rules rely on our extensive proprietary datasets, complemented with augmented public data.

Relationships
We have long-standing relationships across the asset management ecosystem.

Infrastructure
Our robust hedge fund infrastructure seeks to optimize risk management and execution.

In the ProPublica article, "The Magnetar Trade: How One Hedge Fund Helped Keep the Bubble Going", from 2010, we get a better understanding of how, many years ago during the GFC, MC leveraged its relationship skills to strike an incredible profit for itself and its investors at great expense to the public.

"The hedge fund bought the riskiest portion of a kind of securities known as collateralized debt obligations — CDOs. If housing prices kept rising, this would provide a solid return for many years. But that's not what hedge funds are after. They want outsized gains, the sooner the better, and Magnetar set itself up for a huge win: It placed bets that portions of its own deals would fail."

Is Magnetar doing something similar today by any chance?

17 May 2024: CoreWeave Secures $7.5 Billion Debt Financing Facility led by Blackstone and Magnetar

3 August 2023: CoreWeave Secures $2.3 Billion Debt Financing Facility led by Magnetar Capital and Blackstone

How does #CoreWeave manage to secure billions in funding without generating a single penny of revenue in the first place? Here's how: For this startup, Nvidia GPUs are currency

Ok, so now we see Magnetar, the "Shadow Bank" active in the lending tranches here similar to the 2008 CDO scheme. What about the "riskiest part of the deal" like they did for 2008 CDOs? As a matter of fact, Magnetar is CoreWeave's cornerstone equity investor since 2021 (CoreWeave Raises $50M in New Funds From Magnetar Capital), until today to the point that a few months ago Magnetar won the "Deal of the Year" at 2024 M&A Atlas Awards

Now, going back to ProPublica article: "They [Wall Street Professionals] understood the Magnetar Trade as a bet against the subprime mortgage securities market. Why else, they ask, would a hedge fund sponsor tens of billions of dollars of new CDOs at a time of rising uncertainty about housing?"

If that was the case, then why banks helped MC? Well…

"At a time when fewer investors were stepping up to buy equity, the little-known hedge fund put out the word that it wanted lots and lots of it. Magnetar concentrated in a particularly risky corner of the CDO world: deals that were made up of the middle, or mezzanine, slice of subprime mortgage-backed bonds. Magnetar CDOs were big, averaging $1.5 billion, about three times the size of earlier deals built on subprime mortgages.

Magnetar's purchases solved a crucial problem for the banks. Since the equity was so risky and thus difficult to sell, banks didn't like to create new CDOs unless someone committed to buy them. Indeed, such buyers were so crucial that Wall Street referred to them as the CDOs' sponsors."

As a matter of fact, for Wall Street Bankers seeing their bubble grinding to a halt in 2005 *"It seemed like a miracle, says one mortgage market investment banker, because no one had been buying equity"*

Let me help you here, why Magnetar was investing in the equity and mezzanine tranches that were assured a 100% loss? *"The equity bought by Magnetar represented just a tiny fraction of the overall CDO. If it costs, say, $50 million, an entire CDO could be 20 times that, $1 billion. And if the CDO begins to go south and you're smart enough to have taken out* *enough insurance, you can make hundreds of millions of dollars. That, of course, would take a bit of the sting out of losing your original $50 million investment in the equity."*

Was all of this illegal? Not according to the SEC: "Hedge fund Magnetar Won't Face Charges Tied to Mortgages". This is despite a ton of evidence against the Hedge Fund (report here)

If, according to the SEC, the "Magnetar Trade" was not illegal then why not do it all over again?

I personally bet that MC figured out Nvidia's scheme way before anyone else did (NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE), and then they jumped right into it like they did for the Subprime business in 2006. However, this time banks seem to have learnt their lesson so who is MC fooling this time around? Private Equity firms like Blackstone and Asset Managers like Fidelity. Furthermore, they look wary of bringing #CoreWeave into IPO now delayed to 2025: Cloud Computing Startup CoreWeave Prepares for 2025 IPO

At this point, we all agree that there is one piece of the puzzle missing: the short bet against #Nvidia's Ponzi collapse.

I'm afraid there is nothing in the publicly available options data that can point towards a big short bet being built on Nvidia, although this is not surprising at all since such information would instantaneously bring to light the whole scheme and kill this golden goose. Similar to 2008, I am sure someone very smart and eager to play at the borderline between legal and illegal, like MC, is at least covering its back against this massive long exposure to a single name and industry. How are they doing so? Surely through some very obscure derivative contracts, we will not know about their existence until after it all blows up.

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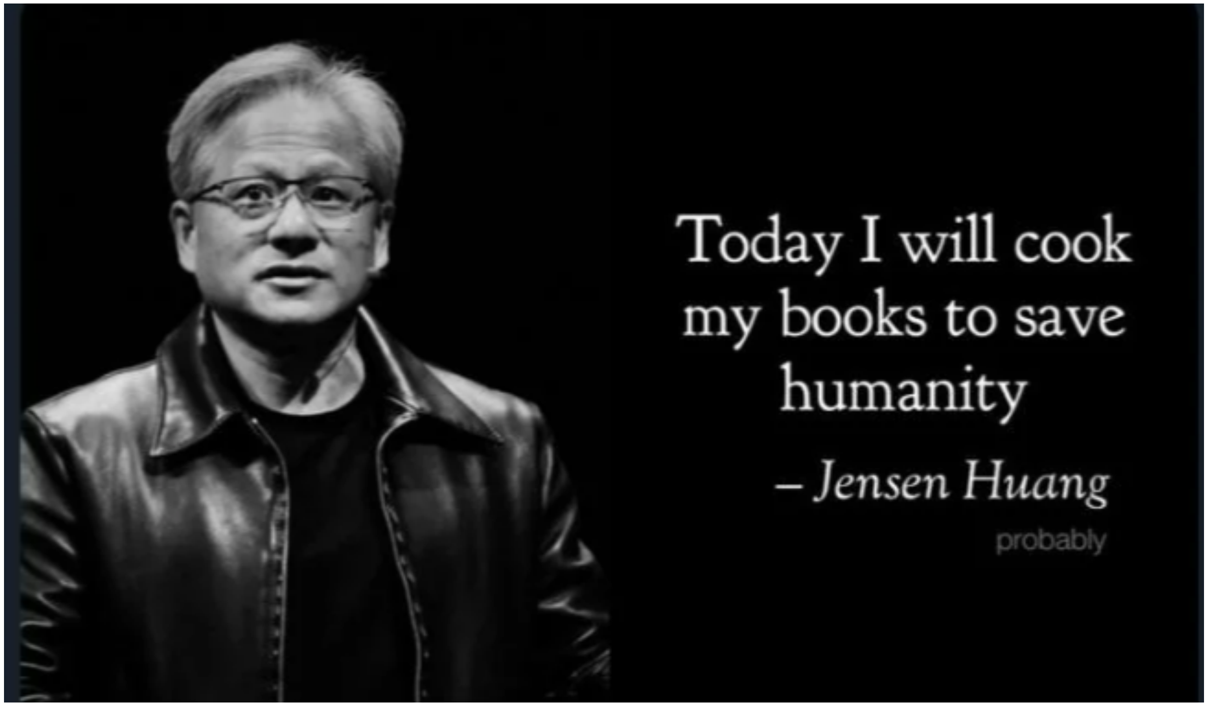
MELLANOX, THE CORNERSTONE OF NVIDIA-MICROSOFT REVENUES ROUND-TRIPPING SCHEME

Dario

6–7 minutes


Today I will cook my books to save humanity
– Jensen Huang
probably

February 22, 2013 case number 1:2013cv01225 US District Court for the Southern District of New York Plaintiff Valentin Petrov Defendant Mellanox Technologies, Ltd. (link).

"The Exchange Act claims allege that Defendants engaged in a fraudulent scheme to artificially inflate the Company's stock price. As a result of the fraud described below, the Company has lost a substantial portion of its value."

"During the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts concerning Mellanox's business, operations, and prospects. Specifically, Defendants made false and misleading statements and failed to disclose that the temporary increase in sales of Mellanox's InfiniBand products was induced by a one-time server processor refresh cycle and would be unsustainable."

Alright, what the heck is all of this, you might ask yourself? And what does this have to do with #Nvidia? On the 11th of March 2019, Nvidia announced it would acquire Mellanox for $6.9bn (NVIDIA to Acquire Mellanox for $6.9 Billion). At that time, many raised eyebrows about this acquisition mainly for 3 reasons:

- The two companies were operating in two business lines that had very little in common. One was providing infrastructure for HPC while the other was in the business of selling GPUs that were just a marginal component of Mellanox's infrastructure stack (while CPUs were the critical component).
- The company was trading at a $2.2bn Market Cap when its activist investor started to actively look for a suitor to buy the whole business, and Nvidia ended up paying $6.9bn to buy it, more than $1bn higher than what Intel was offering (and with which at that time the merger made sense).
- Nvidia paid the acquisition all in cash, emptying its coffers almost completely at a time when its revenues were taking a serious hit after the 2018 crypto bust and the collapse in GPU demand from crypto miners.

Basically, in 2019 Jensen Huang was going all-in on the AI narrative, and their idea was to use Mellanox technology to connect multiple GPUs and build super data centers that would allow the experimental OpenAI ChatGPT and Google Bard projects to scale and become commercially viable: *"The strategy is doubling down on datacenters, and we are combining and uniting two leaders in high performance computing technologies. We are focused on accelerated computing for high performance computing, and Mellanox is focused on networking and* *storage for high performance computing, and we have combined the two companies under one roof. Our vision is that datacenters are the most important computers in the world today, and that in the future, as workloads continue to change – which is really triggered by artificial intelligence and data analytics – that future datacenters of all kinds will be built like high performance computers."*

On the 22nd of July 2019, a few months after Nvidia announced its acquisition of Mellanox, this news made headlines: "OpenAI forms exclusive computing partnership with Microsoft to build new Azure AI supercomputing technologies".

One month ago, I wrote the article "WHAT IF NVIDIA SIMPLY TAGGED ALONG WITH A MICROSOFT AZURE SCAM PLAYBOOK?" and if you include the Mellanox piece of the puzzle along with the fact Microsoft is now surfacing as the single largest customer of Nvidia (A single customer made up 19% of Nvidia's revenue last year. UBS thinks it's Microsoft), the picture is now complete.

We already know that Nvidia got in trouble and ultimately got fined by the SEC for misleading its sales expectations in 2018 (SEC Charges NVIDIA Corporation with Inadequate Disclosures about Impact of Cryptomining)… wait a second… let's have a look again at what I shared at the very beginning of this article:

"During the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts concerning Mellanox's business, operations, and prospects. Specifically, Defendants made false and misleading statements and failed to disclose that the temporary increase in sales of Mellanox's InfiniBand products was induced by a one-time server processor refresh cycle and would be unsustainable."

Do you see what I am seeing here? Yes, 10 years later Mellanox, today part of Nvidia, and #Microsoft are doing the exact same thing. However, in order to make sure the house of cards does not collapse, both companies this time are replicating the same trick many times to make sure the round-tripping does not stop. How are they doing it? Very simple, they keep investing in Startup companies at inflated prices with the requirement those operate on the Mellanox-Nvidia infrastructure Azure is being built upon (Microsoft, Nvidia Lead In Investing In AI Startups, But Others Close Behind). How can these companies pay for Microsoft Azure if they can barely generate revenues and have limited cash resources? A good chunk of Microsoft investments is in reality Azure Credits (OpenAI has received just a fraction of Microsoft's $10 billion investment).

At this point, it should not come as a surprise anymore that in 2019 Jensen Huang went "all-in" spending all Nvidia cash to buy Mellanox. By now, it is clear there was already a plan in place to profit handsomely from that acquisition with Nvidia Datacenter (that is effectively the Mellanox business) making most of the revenues of its company today. The problem is, that those revenues aren't real ones.

justdario.com

IT HAS NEVER BEEN A BUBBLE IN AI, BUT A PONZI SCHEME IN SEMICONDUCTOR STOCKS SINCE THE VERY BEGINNING

Dario

6–8 minutes

How many "AI" companies are currently listed? No, you should not include those "AI washing" their operations and earnings calls in the count. I refer to companies where AI is their core business, like advertising through internet search for Google, for example. Let me help you out, the number is in the single digits (worldwide).

Similar to the internet in the early 2000s, we haven't seen AI applications become commercially viable products yet. Translated, the current stage of AI applications available to the public does not make money and not surprisingly, access to those is given away pretty much for free. Furthermore, what is the switching cost between OpenAI's ChatGPT and META's Llama? Close to zero.

In economics, what I just described is called an environment of perfect competition. In this environment, a company by definition cannot sell its product or services for a profit.

Believe me, and here I am speaking from the perspective of a person building an AI product himself, similar to the DotCom era when you saw real internet companies emerging in the aftermath of the bubble implosion, those that are building commercially viable AI products that solve real-world problems and can charge a fee for that netting a profit are still currently in the shadows and too small to make headlines. Or maybe I shall say too small to pay the MSM to write a sponsored article on them. Anyhow. If you are interested in knowing more in detail about what I am talking about, here is the article I published a while back: "WHY WE ARE BUILDING SYNNAX, AND WHY CREDIT INTELLIGENCE IS THE FUTURE"

Alright, now that I hope we all agree there is no "AI Bubble" if we use both words properly, let's move on to the real problem here: semiconductor stocks.

5 months ago in the article "NVIDIA, ITS RECYCLED "#AI REVOLUTION" AND THE DARK SIDE OF IT KEPT AWAY FROM THE PUBLIC" I already attempted to bring to everyone's attention how the companies systematically tried many times to jump on what was the "hype" of the moment to sell more GPUs beyond their very limited, and already saturated, gaming market.

As you can see from the article, the company attempted to hype the "AI Revolution" already in 2015 without success mostly because the crypto miners mania polarized all speculators' attention at that time. So Nvidia was quick to pivot and jump onto that bandwagon, hyping the potential demand from it above and beyond what was reasonable. For this, the company ended up being fined by the SEC ("SEC Charges NVIDIA Corporation with Inadequate Disclosures about Impact of Cryptomining"

Between 2015 and 2017, #Nvidia wasn't the only mega-cap company seeing its revenues plateauing, Microsoft had the same issue as well. #Microsoft and Nvidia were almost a match made in heaven, one company was desperate to sell more GPUs while the second was desperate to lift its Azure cloud and catch up with Google and Amazon, ultimately reigniting its revenue growth. Not surprisingly, in 2018 you started reading articles like this one: "Microsoft's Intelligent Cloud group posts a 17 percent jump in revenue on 93 percent growth for Azure"

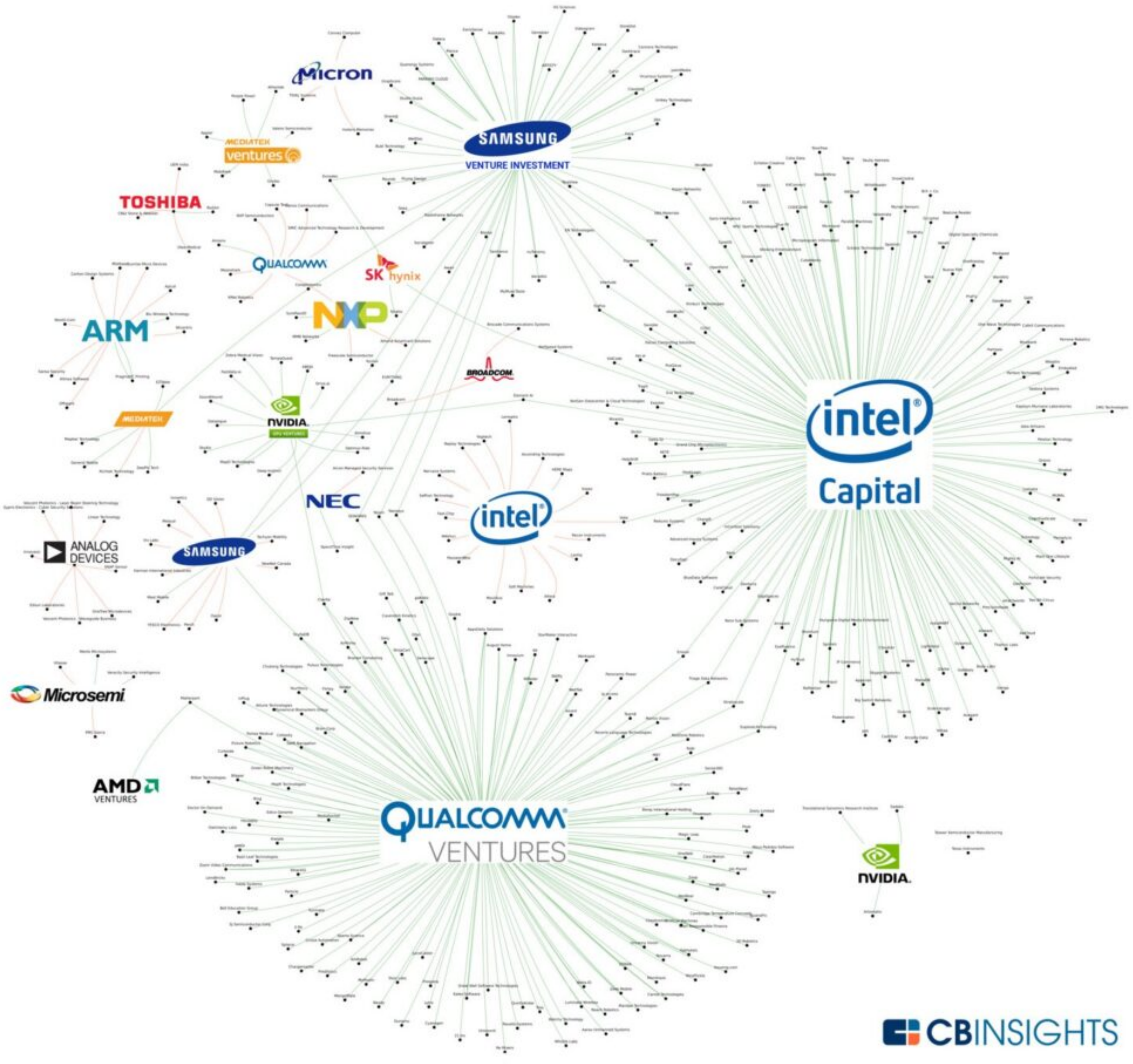
The two companies had a problem though, the market was too small for them to grow fast enough and please the nowadays very short-term oriented investors. This is why they came up with a sophisticated revenue "round-tripping" scheme I did my best so far to describe in all its beautiful ingenuity:

- 23 August 2023 – Is ARM The Canary In The NVIDIA Coal Mine?
- 22 November 2023 – NVIDIA (PONZI) "LIES" UNDER NVIDIA NOSE
- 1 December 2023 – NVIDIA "Elite Partners"
- 13 February 2024 – IS NVIDIA CURRENTLY EMPLOYING THE SAME

ACCOUNTING TRICK TO INFLATE ITS MARGINS IT WAS PREVIOUSLY CAUGHT USING DURING THE DOT-COM BUBBLE?

- 22 February 2024 – NVIDIA – THE (FRAUD) SMOKING GUN?
- 22 May 2024 – WHAT IF NVIDIA SIMPLY TAGGED ALONG WITH A MICROSOFT AZURE SCAM PLAYBOOK?
- 23 May 2024 – NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE
- 24 May 2024 – HOW TO FABRICATE REVENUES FOR DUMMIES (A GUIDE)
- 31 May 2024 – THE DARK CORNERS OF NVIDIA 10-Q REVEAL THE EXTENT OF THE NVIDIA FRAUD
- 4 July 2024 – MELLANOX, THE CORNERSTONE OF NVIDIA-MICROSOFT REVENUES ROUND-TRIPPING SCHEME

At this point, did you expect companies and investors that figured this out to just sit on the sidelines and let the Nvidia – Microsoft duo run wild with the (fabricated) AI hype, notching spectacular share gains in the stock market? Of course not. This literally triggered a race from struggling large semiconductor companies into the private market to invest in or acquire start-ups they could then “feed” their own services (and very often these acquisitions were mostly paid in “credits” rather than in cash in a fashion made popular by the OpenAI – Microsoft dealings)


Micron
SAMSUNG VENTURE INVESTMENT
MEDIATEK ventures
TOSHIBA
QUALCOMM
SK hynix
ARM
NXP
BROADCOM
MEDIATEK
NVIDIA
intel Capital
NEC
intel
ANALOG DEVICES
SAMSUNG
Microsemi
AMD VENTURES
QUALCOMM VENTURES
NVIDIA
CBINSIGHTS

All this combined created the multiple trillions worth semiconductors bubble, perhaps the biggest bubble in a sector ever, on top of which investors like Magnetar were more than happy to throw gasoline on (IS MAGNETAR CAPITAL BLOWING AIR INTO THE NVIDIA (PONZI)

SCHEME SO THEY CAN BET ON ITS IMPLOSION?).

How is this going to end? Not surprisingly to me and I believe to all my dear readers, the market is starting to question whether all these billions in investments IN SEMICONDUCTORS would start yielding the promised profits: It started with Dell first (Shares of Dell fall 18% as AI servers are sold at 'near-zero margins') and slowly the doubt is spreading to the companies that so far benefit the most from the whole craze beyond the king Nvidia like Microsoft, Google, and AMD (Microsoft, Alphabet and AMD tout AI progress, but investors want tangible results). If history is any guide, similar to what happened in the early 2000s, the overspending on computer equipment made them so cheap in the aftermath of the bubble that small start-ups could benefit from it, creating commercially viable products. However, companies like Intel, Cisco, and the very same Nvidia ended up biting the bitter dust, and believe me, it is never "different" this time.

justdario.com

IF JPY CARRY TRADE TROUBLES SPOIL THE UPCOMING NVIDIA PARTY, GET READY FOR A SPIKE IN VOLATILITY

Dario

7–8 minutes

BRACE YOURSELF

VOLATILITY IS COMING
makeameme.org

From a fundamental perspective, no matter from which angle you look at it, NVIDIA should be nowhere near its current price for a number of reasons, most of which are shady, to say the least, we discussed so far:

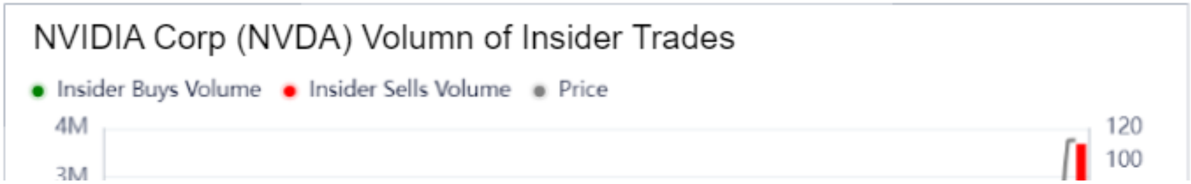
- July 4th – MELLANOX, THE CORNERSTONE OF NVIDIA-MICROSOFT REVENUES ROUND-TRIPPING SCHEME
- May 31st – THE DARK CORNERS OF NVIDIA 10-Q REVEAL THE EXTENT OF THE NVIDIA FRAUD
- May 23rd – NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE
- May 22nd – WHAT IF NVIDIA SIMPLY TAGGED ALONG WITH A MICROSOFT AZURE SCAM PLAYBOOK?
- February 22nd – NVIDIA – THE (FRAUD) SMOKING GUN?

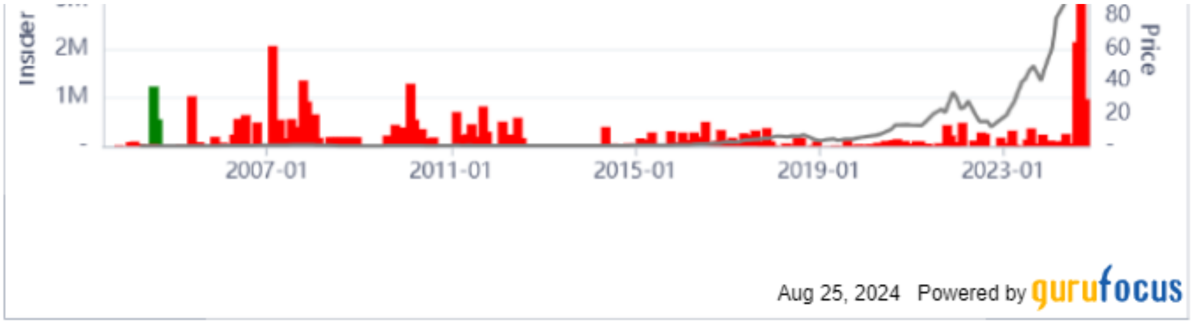
- February 20th – NVIDIA, ITS RECYCLED "#AI REVOLUTION" AND THE DARK SIDE OF IT KEPT AWAY FROM THE PUBLIC
- February 13th – IS $NVDA CURRENTLY EMPLOYING THE SAME ACCOUNTING TRICK TO INFLATE ITS MARGINS IT WAS PREVIOUSLY CAUGHT USING DURING THE DOT-COM BUBBLE?
- November 22nd – $NVDA (PONZI) "LIES" UNDER $NVDA NOSE

However, here we are with a 3 trillion-plus market cap stock trading at 75.56 Price/Earnings, 64.74 Price/Book, and 40 Price/Sales ratio. What do these ratios mean? If the current (ridiculous) expectations traders have for this name materialize as they are, whoever buys into this stock right now will need to hold it for more than 75 years to recover the capital invested and start earning a profit. Would you ever invest in something that will require more than an average person's lifetime to see the profits? I am sure 100% of people will answer "no", but somehow they fight basic human logic when it comes to very specific hyped names during periods of irrational exuberance. Without considering any external factor such as a new round of forced JPY carry trades unwinding, the options market is currently pricing a +/-10% move for the earnings day of a 3 trillion market cap stock. Putting this into another perspective, considering the nominal US GDP currently stands at ~28.7 trillion USD, a single stock can move up or down by a magnitude greater than 1% of the biggest economy in the world's GDP. Isn't this completely silly? Of course, it is, but yet we live in a period of time when people believe unicorns exist or donkeys can fly, so no matter how irrational something is, it can come true simply as a result of enough people buying into it.

There is one thing that is quite different this time from all previous ones: NVIDIA CEO Jensen Huang sold an incredible amount of shares ahead of earnings, more than 550m+ USD worth of them in little more than one month. Not surprisingly, the die-hard bulls quickly dismissed that since they only represent a tiny fraction of the total shares held by Jensen Huang, failing to understand a very simple dynamic of financial markets that doesn't allow him to sell too many of those without starting to trigger alarm bells. If we look at NVIDIA insiders' activity throughout its history, we can notice some interesting things:

- Besides a brief period in the aftermath of the DotCom bubble burst, NVIDIA insiders NEVER bought shares in the company
- The current amount of insider selling is, literally, off the charts
- The previous time such an unusual amount of insiders selling NVIDIA stocks occurred was right before the burst of the GFC

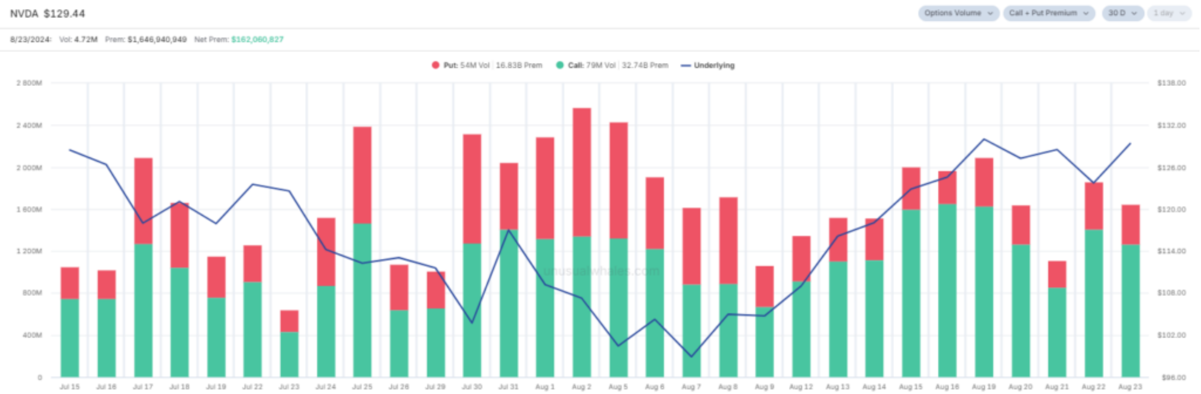




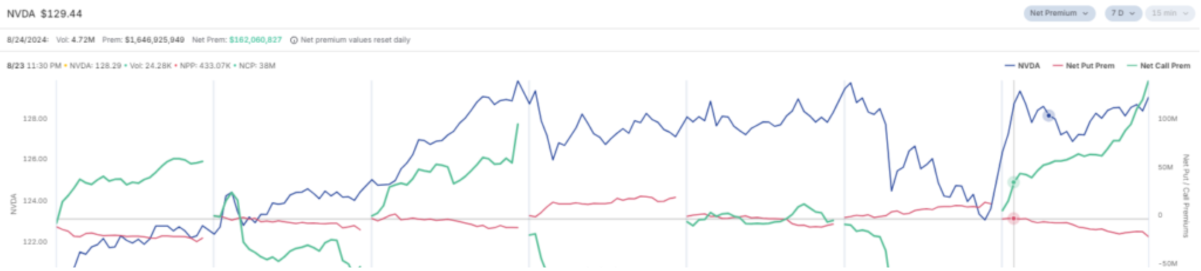
Honest question: if the future is so bright for NVIDIA and according to their promises the sky is the limit for this incredible stock, why is everyone cashing out so much of it, forgoing the opportunity of making an incredible amount of wealth in the future?

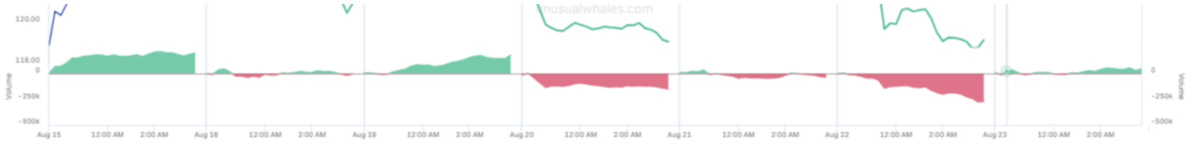
Now, unfortunately for NVIDIA, despite all the efforts from the FED to make sure nothing can spoil the bull run going into US November elections, the stock does not live in a vacuum where everything is hunky-dory. In particular, the JPY Carry trade is the current wild card that, as we saw at the beginning of this month, can easily spoil any plan to keep the status quo.

As we discussed in "A TRAVELER GUIDE TO NAVIGATE THE BANK OF JAPAN MESS" and as it was obvious during the first wave of JPY carry trades forced unwinding, NVIDIA among other mega-cap US stocks was a very big beneficiary of it and hence was greatly impacted by the forced deleveraging. Yes, the stock experienced an incredible recovery in just a few weeks from under 100$ to almost 130$, but how much of that was a factor of a reignited gamma squeezing options activity? As we can easily see from the chart below, the number of call options premium volumes traded in the run from 100$ to 130$ was on average 4 to 5 times larger than put options. An undeniable statement on the fact that the stock was simply squeezed up once again into its earnings (and in a greater magnitude than other mega-cap stocks).



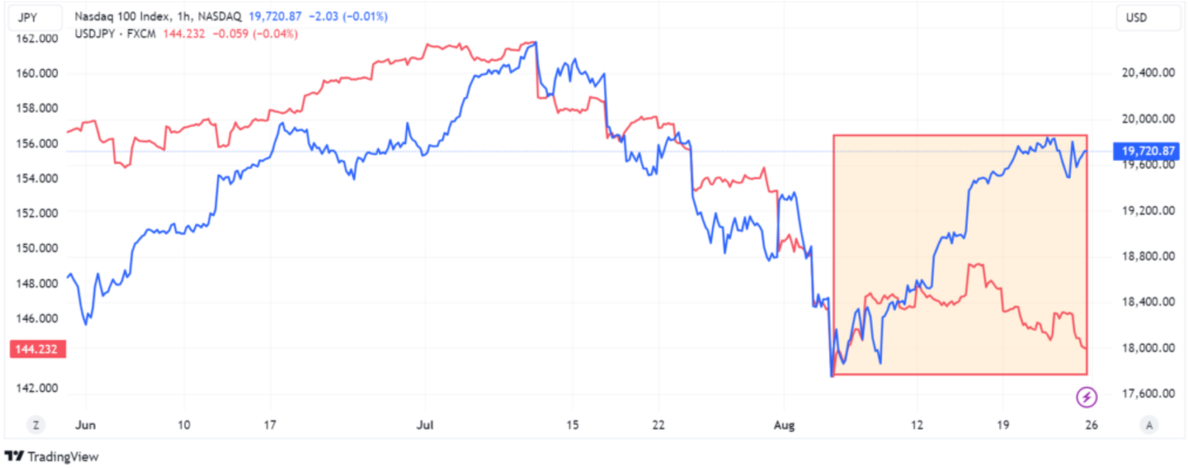
Suppose we zoom in and focus on the net premium traded in the past week when the stock experienced incredible and very unusual swings for a very large-cap name. In that case, it is even more evident how NVIDIA price action is mostly a factor of options trading on the name (19th to 20th of August and 22nd to 23rd of August).



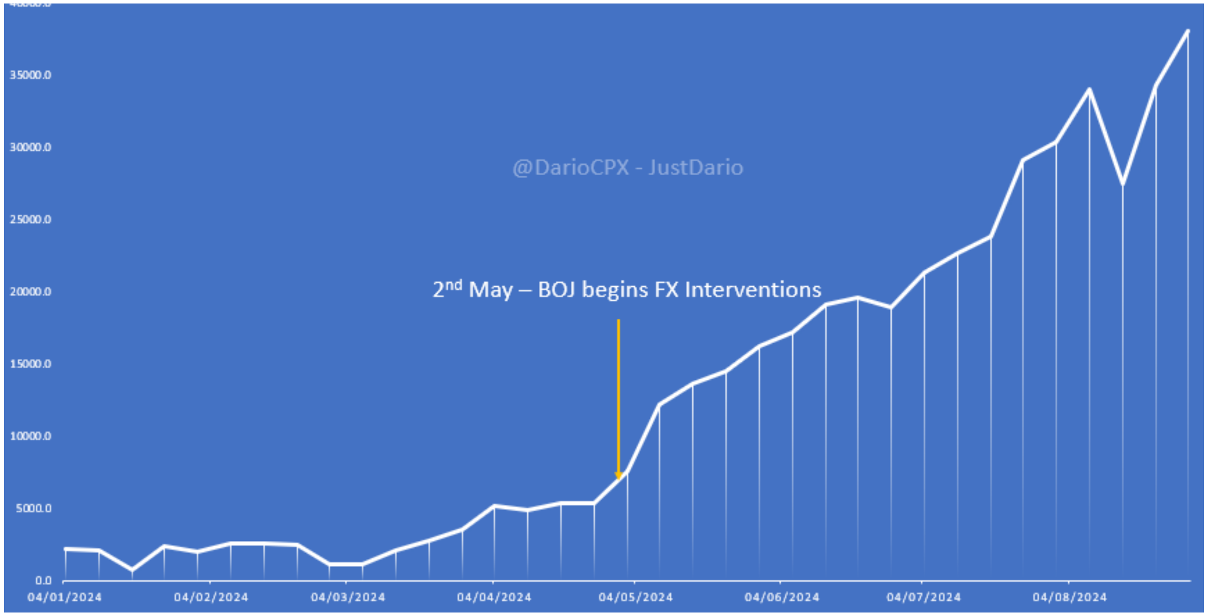


There is no better example to visualize what I tried to explain in "[FINANCIAL MARKETS REACHED A "SINGULARITY" NO ONE WANTS TO DEAL WITH]" and that makes this market incredibly dangerous even if most people fail to recognize it.

Furthermore, as we can see comparing the JPY with the Nasdaq, the latest squeeze created an incredible disconnect between the two.

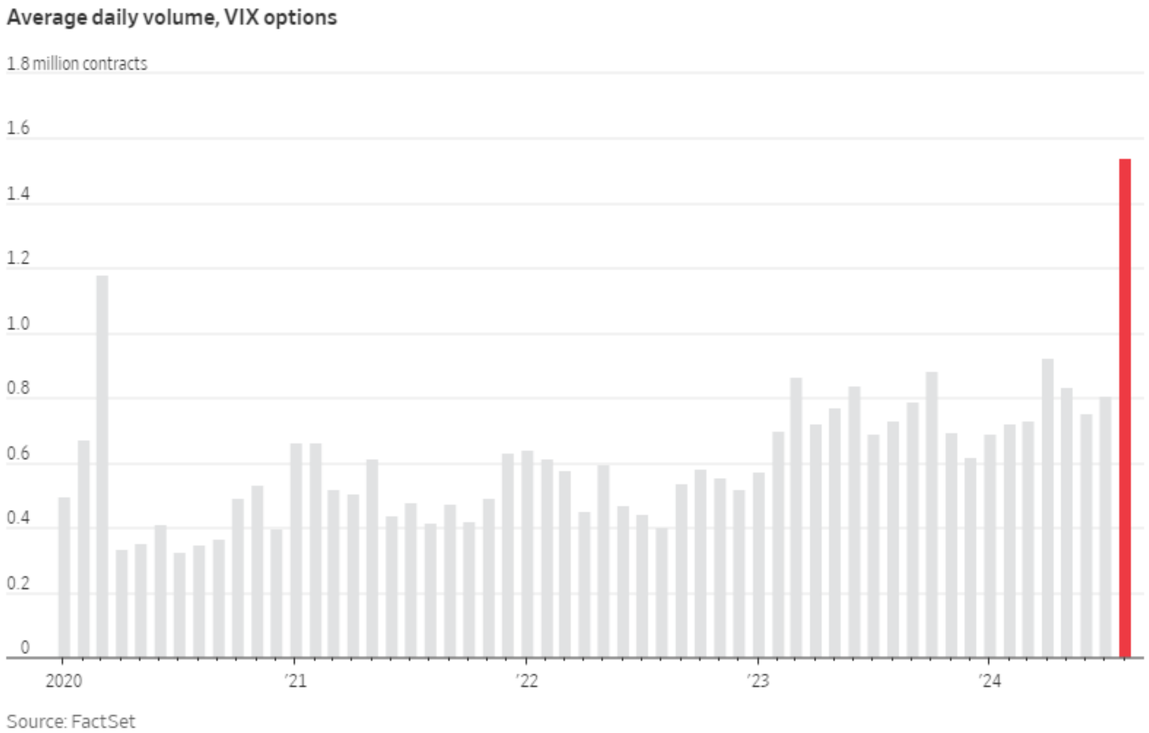


Where did traders likely find the leverage needed to rebuild their long positions? Look no further than the Bank of England ("[THE JPY CARRY TRADE IMPLOSION CONTAGION IS ALREADY SPREADING INTO THE UK]")



What's happening with the Bank of England is really telling of the desperate need for liquidity this market has to keep all the bubbles in US stocks, especially megacaps, standing. However, the BOE alone cannot continue alone to supply the vacuum created by the BOJ that is actively trying to manage its currency while avoiding another abrupt crash in its domestic stock market. How far are we from the breaking point? Hard to say, but the more you pull a rope, the higher the chances it breaks, ultimately causing the type of mess we saw for the first time between the 2nd and the 5th of August.

Clearly, the market as a whole is not so blind to the risks mounting this time, and as such, the options activity in the VIX and other volatility instruments has now reached levels we last experienced right before the infamous 2018 Volmageddon was triggered.



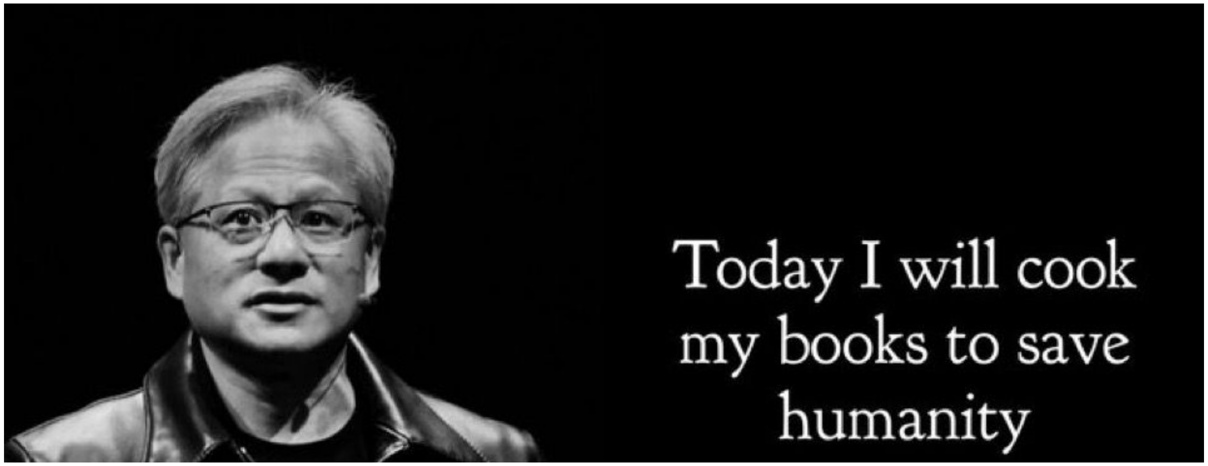
Putting it all together, what do you expect to happen if prior to earnings a forced deleveraging happens again, hitting stocks and options across the board? Obviously, stocks like NVIDIA that are so dependent on a relentless bull options flow to keep rising will suffer the most, and this time wise traders are putting some hedges in place to withstand that.

justdario.com

“HYPERSCALERS” OR “HYPERCHEATERS”? – ADDING HINDENBURG PIECE TO THE BIG PONZI PUZZLE WE HAVE BEEN PUTTING TOGETHER TILL NOW WHILE WAITING FOR NVIDIA EARNINGS

Dario

14–18 minutes


Today I will cook
my books to save
humanity

– Jensen Huang
probably

As as soon as Hindenburg Research’s (a famous short-selling hedge fund) piece “Super Micro: Fresh Evidence Of Accounting Manipulation, Sibling Self-Dealing And Sanctions Evasion At This AI High Flyer” was published I started to be flooded with notifications about it and when I picked up my phone, I have to be honest, I could not hold back a smile.

Here is what Hindenburg highlighted about Super Micro (SMCI) in its report:

- Recent Evidence Of Channel Stuffing And Accounting Violations
- Revenues “round-tripping” to inflate margins
- Undisclosed Related Party Transactions
- Evading Sanctions And Export Restrictions

I bet you are having a sense of “Deja’ Vu’”. Yes, this is exactly the same scheme we have been talking about for almost one year now and that has the duo NVIDIA-MICROSOFT at its center.

🚩

Evidence of channel stuffing and accounting violations

This is what I flagged in November last year in “$NVDA (PONZI) “LIES” UNDER $NVDA NOSE”:

“*If NVIDIA is doing so well, why did their “Accounts Receivable” explode by a whopping 1,637% to 4.5bn$ in the same timeframe between 2022 and 2023 periods we are examining.*

Isn’t it because you are selling things clients aren’t paying for?”

and

“If NVIDIA is doing so well, why did their inventory remain the same? When you sell so many goods and keep booking stellar future orders, there should be a physiological increase in inventory, right? Well, not in the case of NVIDIA apparently.”

Here is what Hindenburg highlighted in its report, not a secret, but giving it a closer look helps to understand the bigger picture:

“*Super Micro has also been working on liquid cooling technologies for racks with higher energy AI workloads. [Slide 6] Investors have focused on its scale, vertical integration, relationship with Nvidia and quicker time to deliver than peers.[3] [1]*”

I have a question at this point, why did Nvidia choose a while ago to partner first with SMCI, a little-known player in the space that was already caught cheating by the SEC, rather than larger ones like Dell, HP, or Seagate? Let’s not be so naïve to think that because NVIDIA and SMCI CEOs are Taiwanese the bigger brother wanted to help out its little one. Putting my research and Hindenburg one together it doesn’t take long to understand that NVIDIA needed a buddy that was accustomed to the shady practice of channel stuffing like them. Imagine claiming to deliver thousands and thousands of GPUs without an infrastructure that could support them at least in theory…

In February this year in “IS $NVDA CURRENTLY EMPLOYING THE SAME ACCOUNTING TRICK TO INFLATE ITS MARGINS IT WAS PREVIOUSLY CAUGHT USING DURING THE DOT-COM BUBBLE?” I tried to bring the focus on a strange coincidence (euphemism) between what NVIDIA was doing in the early 2000s and today. In both instances, the company recorded a sharp increase in revenues, and oddly high margins, but did not show any sign of an increase in expenses toward its suppliers, especially TSMC, to whom the company delegates 100% of its GPU production. In a few hours NVIDIA is going to report earnings and it will be very interesting to see whether TSMC’s sharp increase in revenues will be duly accounted for in its cost base this time and trigger a sharp sell-off in the stock due to now lower margins than what investors have been accustomed to (exactly like in the early 2000)

What did Hindenburg uncover about SMCI?

2018: *“An SEC order stated the company “improperly accelerated revenue recognition and reporting” in multiple ways, including recognizing revenue before delivering goods, sending goods before specified delivery dates, sending incomplete and mis-assembled goods to customers and improperly changing shipment terms, among other methods”*

Today: *“An April 2024 lawsuit, brought by the former Head of Global Services, Bob Luong, alleges that Super Micro has continued to engage in falsified revenue recognition after being relisted in 2020.*

The complaint specifically alleges, among other issues, that:

1. *Revenue was incorrectly allocated to hardware sales rather than service, in the quarter ending December 2020, to artificially boost reported profit margins.*
2. *Revenue was prematurely booked even when equipment could not be delivered to and installed for customers.*
3. *Revenue was prematurely booked even when products were faulty or not ready for sale”*

So, isn’t “accelerated revenues recognition” the exact same thing both SMCI and NVIDIA are doing? Of course, it is, perhaps because they sit exactly on the same boat.

🚩

Revenues “round-tripping” to inflate margins

This time let’s have a look first at the Hindenburg piece:

“*Circular Related Party Relationship: Super Micro Provides Components To Ablecom and Compuware, Who Simply Assemble Them And Sell Them Back To Super Micro*

- *Ablecom was founded in 1997, per its website. Its CEO and largest shareholder is Steve (Jianfa) Liang, a younger brother of Super Micro’s CEO Charles Liang, per the company’s 2023 annual report. Steve Liang owns 28.8% of Ablecom shares along with unnamed “other family members”. Super Micro CEO Charles Liang, and his wife, who also is a director at Super Micro, own 10.5% of Ablecom shares. An unnamed sibling of co-founder Wally Liaw owns 11.7%, per filings.[8] [9]*
- *Compuware was founded in 2004, per its website. Its CEO is Bill (Jianda) Liang, also a younger brother of Super Micro’s CEO, per the company’s 2023 10-K. Brother Steve Liang (mentioned above) is also a director and shareholder of Compuware.[10] [11]*
- *Export Records Show ~99.8% Of Ablecom´s Exports To The U.S. Since 2020 Were To Super Micro*

- *Export Records Show ~99.7% Of Compuware´s Exports To The U.S. Since 2020 Were To Super Micro”*

Yes, my dear readers, true not exactly the same and on a different scale, but isn’t NVIDIA engaged in a revenues round-tripping scheme, with Microsoft as its major counterpart, as well? Yes it is:

- “NO, NVIDIA IS ONLY ONE PIECE OF A BIGGER (FRAUDULENT) PUZZLE”
- “HOW TO FABRICATE REVENUES FOR DUMMIES (A GUIDE)”
- “MICROSOFT REVENUES “ROUND TRIPPING” PONZI SCHEME IS NOW TOO BIG TO HIDE – THE TRUTH FROM THE CASH FLOWS”

🚩

Undisclosed Related Party Transactions

Again let’s borrow from Hindenburg Research first:

“In February 2024, Super Micro Made An Undisclosed Investment In Tech Startup Lambda Labs As Part Of Its $320 Million Funding Round. Lambda’s CEO Publicly Claimed One Purpose Of Its Funding Was To Buy “Lots Of Nvidia GPUs”, but A Former Lambda Leader Told Us – I’ve Never Heard Of Them [Lambda] Using Anyone Else But Super Micro -”

Let’s have a look at what I highlighted before in “MELLANOX, THE CORNERSTONE OF NVIDIA-MICROSOFT REVENUES ROUND-

TRIPPING SCHEME”:

“Do you see what I am seeing here? Yes, 10 years later Mellanox, today part of Nvidia, and #Microsoft are doing the exact same thing. However, in order to make sure the house of cards does not collapse, both companies this time are replicating the same trick many times to make sure the round-tripping does not stop. How are they doing it? Very simple, they keep investing in Startup companies at inflated prices with the requirement those operate on the Mellanox-Nvidia infrastructure Azure is being built upon (Microsoft, Nvidia Lead In Investing In AI Startups, But Others Close Behind). How can these companies pay for Microsoft Azure if they can barely generate revenues and have limited cash resources? A good chunk of Microsoft investments is in reality Azure Credits (OpenAI has received just a fraction of Microsoft’s $10 billion investment)”.

However, Nvidia needs to be careful because similar to 2008 when Magnetar Capital first blew the CDO bubble with the sole purpose of betting against its collapse, something similar is happening today (”IS MAGNETAR CAPITAL BLOWING AIR INTO THE NVIDIA (PONZI) SCHEME SO THEY CAN BET ON ITS IMPLOSION?”).

🚩

Evading Sanctions And Export Restrictions

This is what the Wall Street Journal just published “China’s AI Engineers

Are Secretly Accessing Banned Nvidia Chips” with a small 3 months delay since I published “THE DARK CORNERS OF NVIDIA 10-Q REVEAL THE EXTENT OF THE NVIDIA FRAUD”. What did we discover 3 months ago?

“*Please have a look at these two sentences below, of course, placed far away from each other in the Nvidia 10-Q:*

“Two indirect customers each represented 10% or more of total revenue for the first quarter of the fiscal year 2025; one of these indirect customers purchased our products primarily through direct Customer B. Both were attributable to the Compute & Networking segment.”

“Sales to one direct customer, Customer A, represented 13% of total revenue and sales to a second direct customer, Customer B, represented 11% of total revenue for the first quarter of the fiscal year 2025, both of which were attributable to the Compute & Networking segment. No customer represented 10% or more of total revenue for the first quarter of fiscal year 2024.”

Do you notice anything strange? Let me help you.

- *“Customer B, represented 11% of total revenue for the first quarter of fiscal year 2025.”*
- *“One of these indirect customers purchased our products primarily*

through direct Customer B.”

- *“Two indirect customers each represented 10% or more of total revenue for the first quarter of fiscal year 2025.”*

Yes… All the stock from Customer B is then totally sold to an anonymous “indirect” Customer C.

Wait a minute, why the need for such an arrangement? What’s wrong with Nvidia selling directly to customer C? Here we have two options:

- *Nvidia needs to circumvent US Government sanctions and/or;*
- *Customer C is borrowing (likely from Customer B) to purchase Nvidia GPUs.*

Why does Nvidia need a scheme to circumvent US sanctions? According to them: ***“our inability to sell to a customer due to U.S. or other countries’ trade restrictions or any difficulties in collecting accounts receivable would likely harm our financial condition and results of operations.”*** *Is that also the reason why such a big company (on paper) is so reliant on “channel partners” to the point this deserves mention in their risk disclosures?* ***“With several of these channel partners, we are selling multiple products and systems in our portfolio through their channels.***

Option 2 does not come out of my fantasy either, but directly from Nvidia’s *disclosures: “If end demand increases or our finished goods supply availability is concentrated near a quarter end, the system integrators, distributors, and* ***channel partners may have limited ability to increase their credit****, which could impact the timing and amount of our revenue.”*

Considering what NVIDIA itself writes shortly after in its own 10-Q and highlighted in the same article, the biggest reason of the above scheme seems to be evading sanctions:

- *“In addition,* ***geopolitical tensions, such as those involving Taiwan and China, which comprise a significant portion of our revenue and where we have suppliers****, contract manufacturers, and assembly partners who are critical to our supply continuity, could have a material adverse impact on us.”*
- *“For example, most of the shipments associated with Singapore revenue went to either the United States or Taiwan in the first quarter of fiscal year 2025.” [Wait, what?! Most of the GPUs that are “sold” to Singapore are then shipped out back to Taiwan and the US?]*
- *[Well, the company itself acknowledges the existence of an “unauthorized gray market,” because, of course, calling it a “black market” would have made it sound too obvious, I guess.]“In general, our new products or previously sold products may be resold online or on the unauthorized “gray market,” which also makes demand forecasting difficult. Gray*

market products and reseller marketplaces compete with our new products and distribution channels.”

- *At this point it is fair to ask, is Taiwan the center of a big “unauthorized gray market” for Nvidia products (and, clearly, the company knows about it)? If the answer is “Yes,” the numbers start to make sense.*

What does Hindenburg claim SMCI is doing at the same time?

2006: *“before Super Micro was listed, it pleaded guilty to one felony count of exporting computer components to Iran in 2001 and 2002 in violation of U.S. export bans. It was fined $150,000.”*

Today:

- *“Super Micro publishes an export control policy on its website but, as of mid-August 2024, had not updated the document since 2020 despite fast-changing regulations. It includes neither Russia nor China in the list of countries currently under U.S. sanctions or heightened scrutiny.[35]”*
- “*But Super Micro products have been shipped to Russia in larger-than-ever volumes since the invasion of Ukraine, based on our analysis of more than 45,000 import and export transactions provided by trade aggregator Tradesparq.[39] [40]”*
- *“Prior to the war, between January 1st, 2020, and February 23rd, 2022 – the last date Super Micro said it booked revenue for Russia sales – $60.7*

million of Super Micro products were exported to Russia either directly by Super Micro or by third-party exporters, per available Tradesparq data. [43]. After the invasion of Ukraine, between February 24th, 2022, and to June 30th, 2024- the end of Super Micro’s fiscal year – the export of Super Micro products to Russia spiked. Approximately $210 million of Super Micro products were shipped to Russia in that period – in apparent contravention of U.S. export bans – per Tradesparq.”

- *“Super Micro appears to have ceased direct exports, as disclosed. However, 10 third-party exporters handled two-thirds of the shipments to Russia and more than 220 other entities – 3x more than pre-invasion – handled the remainder, per Tradesparq. The largest exporters were based in Turkey, China and the UAE – all transshipment countries identified by the U.S. government.[44] The export values are based on declared customs value. The actual revenue generated for Super Micro or intermediaries may have been multiples higher, given that technology prices in Russia are being boosted by scarcity amid heavy sanctions and price gouging via black-market supply routes, per NATO. [45]”*
- *“In calendar year 2023, exports of Super Micro products to Russia rose to $126.6 million – 9.6x higher than in 2021 – per Tradesparq data. That value was equivalent to 4.9% of Super Micro´s total worldwide sales,*

excluding the U.S., in calendar 2023, per filings. [1, 2, 3, 4] [47]”

- *“At Least 46 Companies That Handled Super Micro Products To Russia Are Now Under OFAC Sanctions Or On U.S. Government Watchlists”*

I believe it is enough to understand how there is an active effort by the semiconductor sector to circumvent sanctions.

To conclude, similar to what happened during the DotCom bubble, it is clear we are in front of a broad industry effort to cheat on many fronts with the sole purpose of goosing valuations to nosebleed and unrealistic levels never seen before and “AI” has been the excuse to perpetrate this since the very beginning like “internet” was 20 years ago as I summarized in: “IT HAS NEVER BEEN A BUBBLE IN AI, BUT A PONZI SCHEME IN SEMICONDUCTOR STOCKS SINCE THE VERY BEGINNING”.

justdario.com

NVIDIA TRICK TO AVOID REGULATORS' SCRUTINY: PAY MORE TAXES

Dario

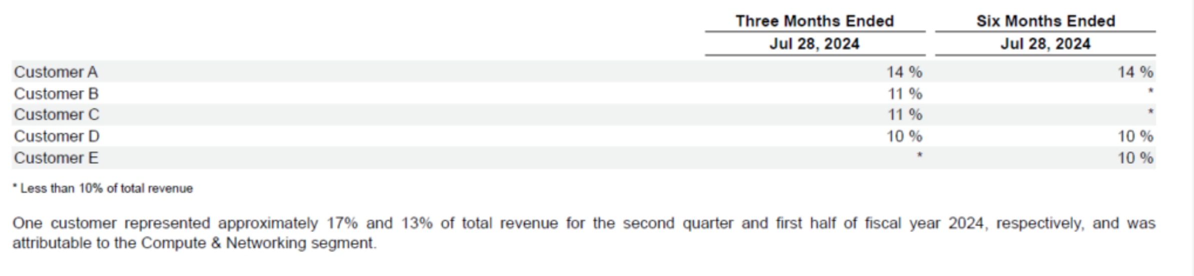
10–12 minutes

Here we are with another episode of the NVIDIA saga when I thought we already brought to light all that was possible, but I was wrong. One important thing to highlight is that in its latest 10-Q NVIDIA did quite a good deal of "cleaning". What am I referring to? Please go check all that I highlighted 3 months ago in "THE DARK CORNERS OF NVIDIA 10-Q REVEAL THE EXTENT OF THE NVIDIA FRAUD" and compare it with the latest report just released. Do you notice anything? Yes, all the "dark corners" we found out before disappeared. You are welcome, Jensen.

Before sharing with you my latest findings and yet another proof that NVIDIA engineered a sophisticated method to fabricate revenues, let me deliver some tasty appetizers still from the latest 10-Q.

🚩 Appetizer 1: Half of NVIDIA revenues, a 3 trillion company, come from only 5 companies.

I could not believe my eyes when I saw the below table appearing in the latest 10-Q in the same way I could not believe no one across MSM or social media stumbled into it before me considering the head start between NVIDIA releasing earnings and myself waking up.



	Three Months Ended Jul 28, 2024	Six Months Ended Jul 28, 2024
Customer A	14 %	14 %
Customer B	11 %	*
Customer C	11 %	*
Customer D	10 %	10 %
Customer E	*	10 %

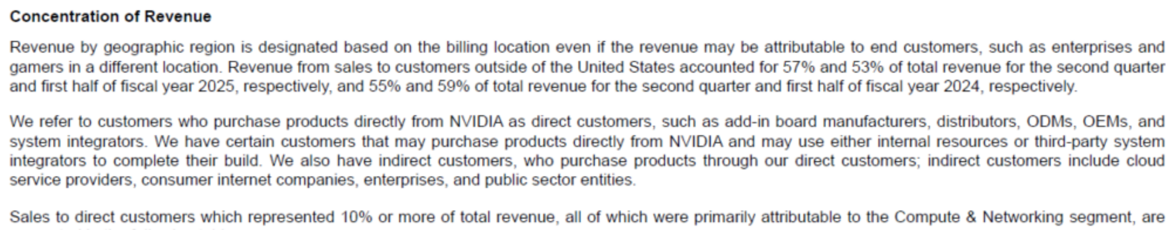
* Less than 10% of total revenue

One customer represented approximately 17% and 13% of total revenue for the second quarter and first half of fiscal year 2024, respectively, and was attributable to the Compute & Networking segment.

The table is pretty self-explanatory, isn't it? However please have a look at what NVIDIA itself writes underneath the table: "One customer represented approximately 17% and 13% of total revenue for the second quarter and first half of fiscal year 2024, respectively, and was attributable to the Compute & Networking segment". Is it only me or is there no customer in the table attached to 17% of the revenues? Does that mean that among its large customers, one of them is so desperate to buy GPUs that has also to rely on indirect channels or is it just a typo? Who knows, but surely weird.

It is no mystery that Microsoft is NVIDIA's largest customer and round-tripping buddy ("MELLANOX, THE CORNERSTONE OF NVIDIA-MICROSOFT REVENUES ROUND-TRIPPING SCHEME") as well as it is no mystery anymore that its 3rd largest customer SMCI ("NVIDIA's Third-Largest Customer – Super Micro Computer (SMCI) – Withholds 10-K Filing Just A Day After A Short Research Report"), that now we know for sure accounted for 10% of the firm total revenues in the last quarter, is as well a scam on its own ("HYPERSCALERS" OR "HYPERCHEATERS"?).

Fair question now, if 5 companies alone represent more than 50% of the revenues of NVIDIA how come the company can showcase a 78% profit margin on its sales? Do these very large companies have no bargaining power whatsoever? Of course, they do as we are about to see, but the company is aware of the risk as well and they make no mystery about it.

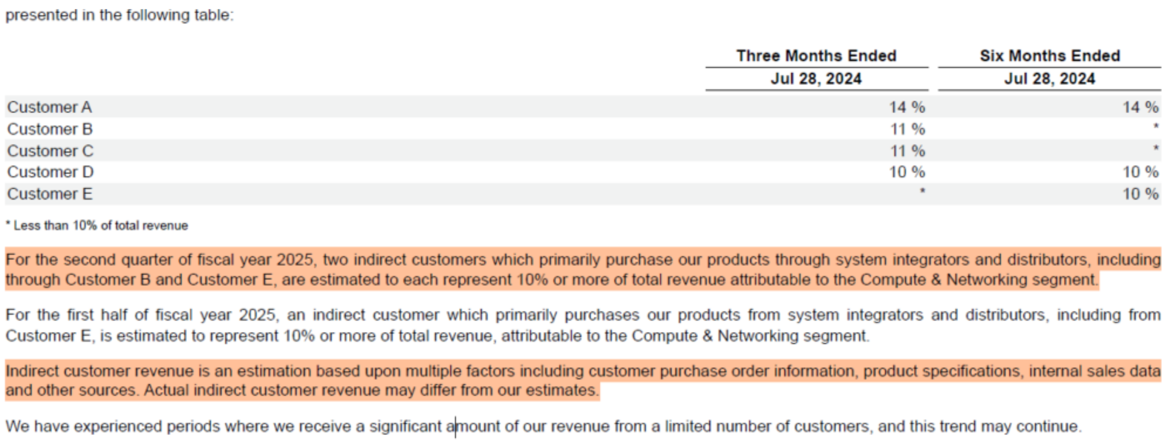


Concentration of Revenue

Revenue by geographic region is designated based on the billing location even if the revenue may be attributable to end customers, such as enterprises and gamers in a different location. Revenue from sales to customers outside of the United States accounted for 57% and 53% of total revenue for the second quarter and first half of fiscal year 2025, respectively, and 55% and 59% of total revenue for the second quarter and first half of fiscal year 2024, respectively.

We refer to customers who purchase products directly from NVIDIA as direct customers, such as add-in board manufacturers, distributors, ODMs, OEMs, and system integrators. We have certain customers that may purchase products directly from NVIDIA and may use either internal resources or third-party system integrators to complete their build. We also have indirect customers, who purchase products through our direct customers; indirect customers include cloud service providers, consumer internet companies, enterprises, and public sector entities.

Sales to direct customers which represented 10% or more of total revenue, all of which were primarily attributable to the Compute & Networking segment, are



presented in the following table:

	Three Months Ended Jul 28, 2024	Six Months Ended Jul 28, 2024
Customer A	14 %	14 %
Customer B	11 %	*
Customer C	11 %	*
Customer D	10 %	10 %
Customer E	*	10 %

* Less than 10% of total revenue

For the second quarter of fiscal year 2025, two indirect customers which primarily purchase our products through system integrators and distributors, including through Customer B and Customer E, are estimated to each represent 10% or more of total revenue attributable to the Compute & Networking segment.

For the first half of fiscal year 2025, an indirect customer which primarily purchases our products from system integrators and distributors, including from Customer E, is estimated to represent 10% or more of total revenue, attributable to the Compute & Networking segment.

Indirect customer revenue is an estimation based upon multiple factors including customer purchase order information, product specifications, internal sales data and other sources. Actual indirect customer revenue may differ from our estimates.

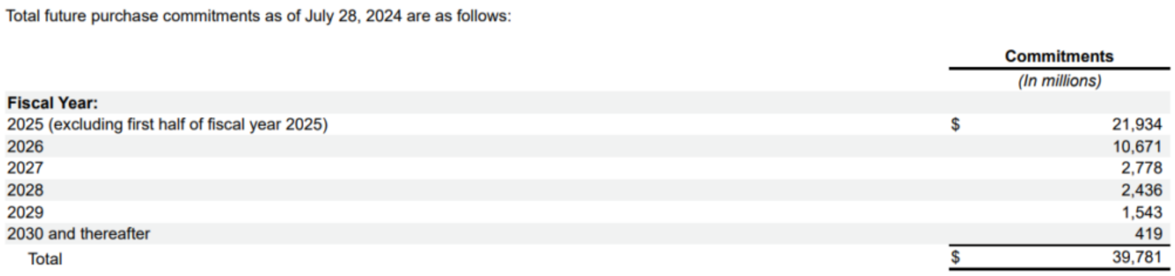
We have experienced periods where we receive a significant amount of our revenue from a limited number of customers, and this trend may continue.

🚩

Appetizer 2: As a "kickback" to its largest customers NVIDIA keeps buying servers usage

As you can see from the two tables below, from Q1 to Q2 NVIDIA purchase obligations increased by 10 billion USD in the last quarter.

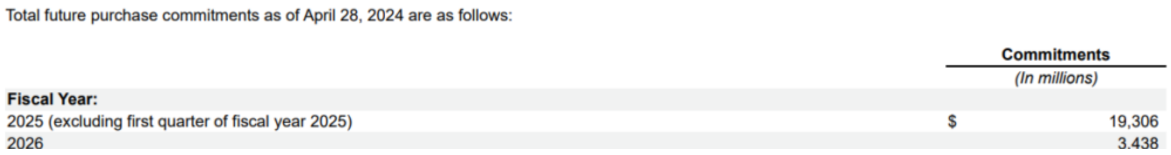
NVIDIA Purchase obligations in Q2



Total future purchase commitments as of July 28, 2024 are as follows:

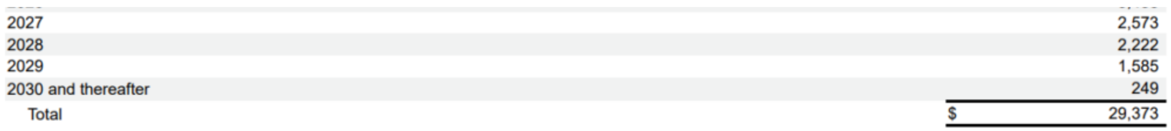
	Commitments *(In millions)*
Fiscal Year:	
2025 (excluding first half of fiscal year 2025)	$ 21,934
2026	10,671
2027	2,778
2028	2,436
2029	1,543
2030 and thereafter	419
Total	$ 39,781

NVIDIA Purchase obligations in Q1



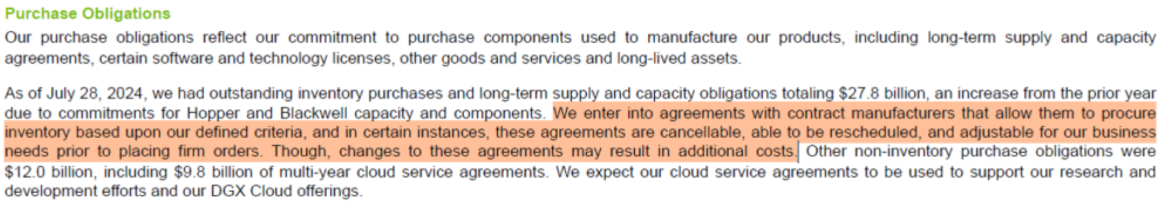
Total future purchase commitments as of April 28, 2024 are as follows:

	Commitments *(In millions)*
Fiscal Year:	
2025 (excluding first quarter of fiscal year 2025)	$ 19,306
2026	3,438



2027		2,573
2028		2,222
2029		1,585
2030 and thereafter		249
Total	$	29,373

How does NVIDIA justify this very large amount of future commitments? 27.8bn$ are orders for future Hopper and Blackwell GPUs (that as the company highlights can be easily canceled), but 12bn$ are "non-inventory purchase obligations" among which 9.8bn$ are multi-year cloud service agreements (a 1bn$ increase from the previous quarter).



Purchase Obligations

Our purchase obligations reflect our commitment to purchase components used to manufacture our products, including long-term supply and capacity agreements, certain software and technology licenses, other goods and services and long-lived assets.

As of July 28, 2024, we had outstanding inventory purchases and long-term supply and capacity obligations totaling $27.8 billion, an increase from the prior year due to commitments for Hopper and Blackwell capacity and components. We enter into agreements with contract manufacturers that allow them to procure inventory based upon our defined criteria, and in certain instances, these agreements are cancellable, able to be rescheduled, and adjustable for our business needs prior to placing firm orders. Though, changes to these agreements may result in additional costs. Other non-inventory purchase obligations were $12.0 billion, including $9.8 billion of multi-year cloud service agreements. We expect our cloud service agreements to be used to support our research and development efforts and our DGX Cloud offerings.

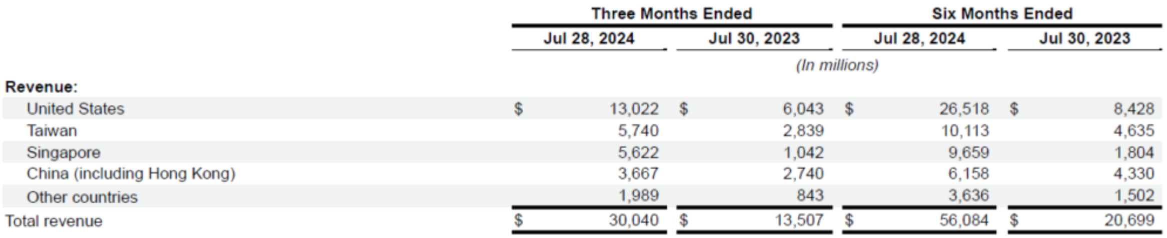
Putting together this element and the fact that NVIDIA largest customers are also large cloud service providers, isn't it odd that the company providing them the critical infrastructure to deliver their services is buying the very same from them rather than building a cloud server on its own? Revenues round-tripping at their best here.

🚩

Appetizer 3: Decreasing revenues in the US are compensated with revenue growth in China, Singapore, and Taiwan.

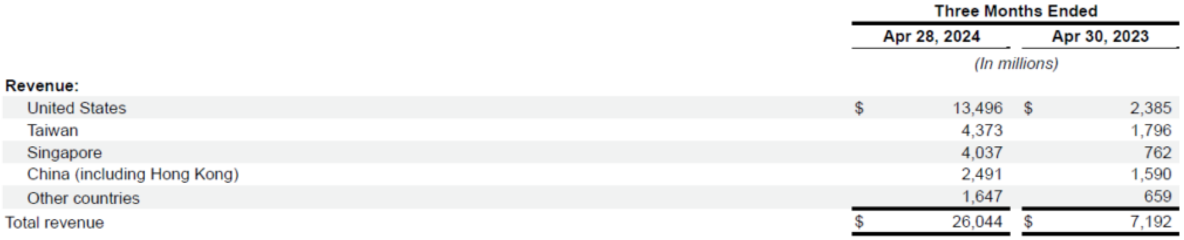
In order to visualize what's happening here properly we need to put again next to each other the tables from the two latest reports because NVIDIA, wisely, avoided doing so.

NVIDIA Revenues split Q2



	Three Months Ended		Six Months Ended	
	Jul 28, 2024	Jul 30, 2023	Jul 28, 2024	Jul 30, 2023
	(In millions)			
Revenue:				
United States	$ 13,022	$ 6,043	$ 26,518	$ 8,428
Taiwan	5,740	2,839	10,113	4,635
Singapore	5,622	1,042	9,659	1,804
China (including Hong Kong)	3,667	2,740	6,158	4,330
Other countries	1,989	843	3,636	1,502
Total revenue	$ 30,040	$ 13,507	$ 56,084	$ 20,699

NVIDIA Revenues split Q1



	Three Months Ended	
	Apr 28, 2024	Apr 30, 2023
	(In millions)	
Revenue:		
United States	$ 13,496	$ 2,385
Taiwan	4,373	1,796
Singapore	4,037	762
China (including Hong Kong)	2,491	1,590
Other countries	1,647	659
Total revenue	$ 26,044	$ 7,192

So what do we have here:

- Revenues from the US decreased by 474m$ from Q1 to Q2
- Revenues from Taiwan increased by ~1.4bn$
- Revenues from Singapore increased by ~1.6bn$
- Revenues from China (including Hong Kong) increased by ~1.1bn$

This is what we know from the previous 10-Q and removed from the latest one, “Revenue by geographic areas is based upon the billing location of the customer. The end customer and shipping location may be different from our customer's billing location. For example, **most of the shipments associated with Singapore revenue went to either the United States or Taiwan** in the first quarter of fiscal year 2025. **Shipments to Singapore were insignificant.**" Clearly NVIDIA company in Singapore is a shell company set up to hide the true end location of the final customer. Why does NVIDIA need that? Wink wink.

The same applies to Taiwan which structurally is a country where NVIDIA cannot sell billions and billions of GPUs every quarter. Wink wink.

What about China? How come NVIDIA managed to increase revenues from there despite US sanctions, strong local competition and delays of the less powerful GPU NVIDIA is developing to comply with US sanctions? Wink wink.

We cannot say with certainty that NVIDIA sales in the US reached a plateau because as the company itself tells us, for whatever reason we are not supposed to know, sales billed in Singapore are in reality diverted to either the US or Taiwan, but that decrease in direct sales is a loud warning the US market might have either already reached saturation or NVIDIA competitors are gaining market share.

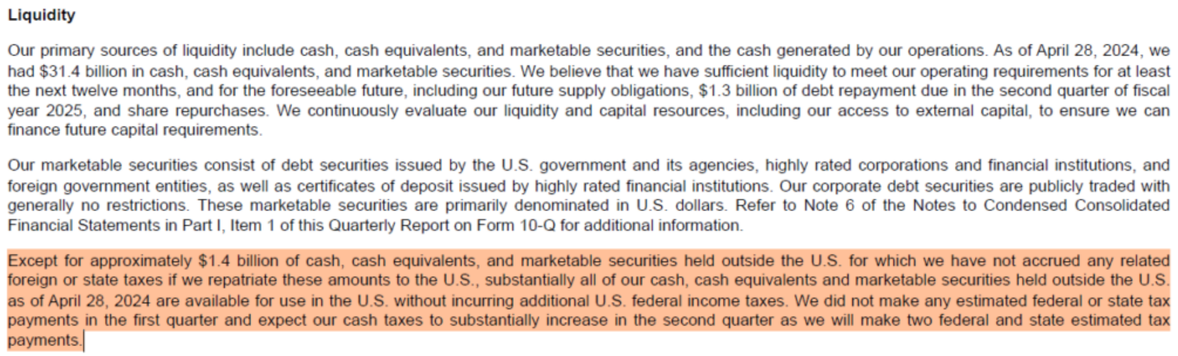
Alright, it is now time for the main course, let's dig into it!

🚩

Main: Employing a trick as old as time, in order to avoid attracting any scrutiny on its revenues from the US government or its regulatory agencies, NVIDIA, contrary to all other mega-cap companies like Apple, is paying all its taxes in the US.

This is the very first odd item I stumbled upon, despite most of its revenues and its suppliers being outside the US, NVIDIA always repatriates all its cash in the US and what's left outside apparently is not supposed to be subject to US federal taxation. Furthermore, the tiny 1.4bn$ amount of cash and equivalents kept abroad did not change by a penny from Q1 to Q2. Strange isn't it?

NVIDIA cash held outside US in Q1



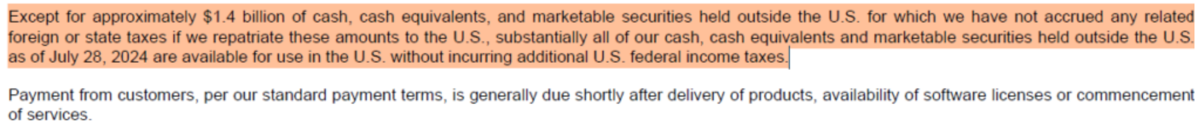
Liquidity

Our primary sources of liquidity include cash, cash equivalents, and marketable securities, and the cash generated by our operations. As of April 28, 2024, we had $31.4 billion in cash, cash equivalents, and marketable securities. We believe that we have sufficient liquidity to meet our operating requirements for at least the next twelve months, and for the foreseeable future, including our future supply obligations, $1.3 billion of debt repayment due in the second quarter of fiscal year 2025, and share repurchases. We continuously evaluate our liquidity and capital resources, including our access to external capital, to ensure we can finance future capital requirements.

Our marketable securities consist of debt securities issued by the U.S. government and its agencies, highly rated corporations and financial institutions, and foreign government entities, as well as certificates of deposit issued by highly rated financial institutions. Our corporate debt securities are publicly traded with generally no restrictions. These marketable securities are primarily denominated in U.S. dollars. Refer to Note 6 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

Except for approximately $1.4 billion of cash, cash equivalents, and marketable securities held outside the U.S. for which we have not accrued any related foreign or state taxes if we repatriate these amounts to the U.S., substantially all of our cash, cash equivalents and marketable securities held outside the U.S. as of April 28, 2024 are available for use in the U.S. without incurring additional U.S. federal income taxes. We did not make any estimated federal or state tax payments in the first quarter and expect our cash taxes to substantially increase in the second quarter as we will make two federal and state estimated tax payments.

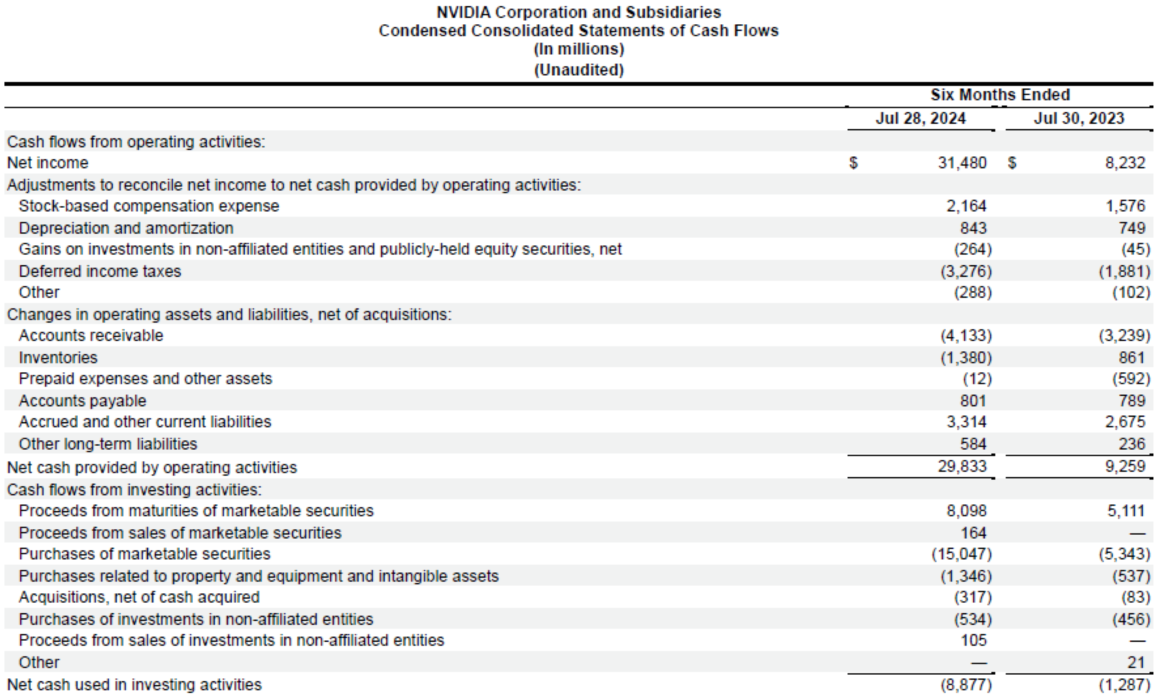
NVIDIA cash held outside US in Q2



Except for approximately $1.4 billion of cash, cash equivalents, and marketable securities held outside the U.S. for which we have not accrued any related foreign or state taxes if we repatriate these amounts to the U.S., substantially all of our cash, cash equivalents and marketable securities held outside the U.S. as of July 28, 2024 are available for use in the U.S. without incurring additional U.S. federal income taxes.

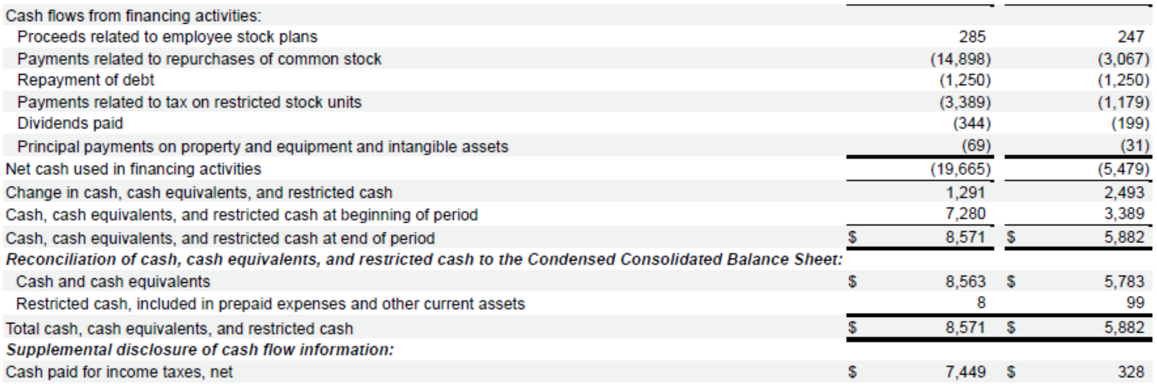
Payment from customers, per our standard payment terms, is generally due shortly after delivery of products, availability of software licenses or commencement of services.

Alright then let's have a look at NVIDIA taxes that according to the company stood at 2.6bn$ in Q2 out of a 19.2bn$ Income Before Taxes. That is ~13.5%. If we look at the bottom of NVIDIA's cash-flow statement though we can notice a strange "Supplemental disclosure of cash flow information" that states the company paid a net of ~7.5bn$ in income taxes without saying where those have been paid from across all the items of the statement and placing that right underneath the total sum of cash and equivalents. Does that mean the company did not include that item in cash and equivalents so the total is much lower or are those taxes sprinkled within other items? Maybe NVIDIA will help us with the specific disclosures later on.



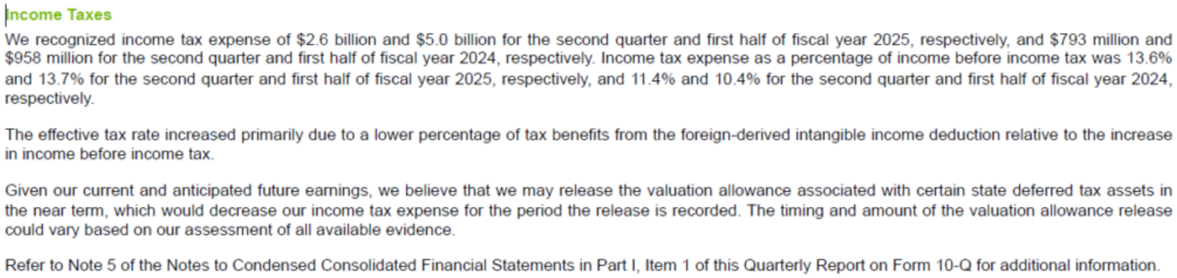
NVIDIA Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six Months Ended	
	Jul 28, 2024	Jul 30, 2023
Cash flows from operating activities:		
Net income	$ 31,480	$ 8,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	2,164	1,576
Depreciation and amortization	843	749
Gains on investments in non-affiliated entities and publicly-held equity securities, net	(264)	(45)
Deferred income taxes	(3,276)	(1,881)
Other	(288)	(102)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,133)	(3,239)
Inventories	(1,380)	861
Prepaid expenses and other assets	(12)	(592)
Accounts payable	801	789
Accrued and other current liabilities	3,314	2,675
Other long-term liabilities	584	236
Net cash provided by operating activities	29,833	9,259
Cash flows from investing activities:		
Proceeds from maturities of marketable securities	8,098	5,111
Proceeds from sales of marketable securities	164	—
Purchases of marketable securities	(15,047)	(5,343)
Purchases related to property and equipment and intangible assets	(1,346)	(537)
Acquisitions, net of cash acquired	(317)	(83)
Purchases of investments in non-affiliated entities	(534)	(456)
Proceeds from sales of investments in non-affiliated entities	105	—
Other	—	21
Net cash used in investing activities	(8,877)	(1,287)



Cash flows from financing activities:		
Proceeds related to employee stock plans	285	247
Payments related to repurchases of common stock	(14,898)	(3,067)
Repayment of debt	(1,250)	(1,250)
Payments related to tax on restricted stock units	(3,389)	(1,179)
Dividends paid	(344)	(199)
Principal payments on property and equipment and intangible assets	(69)	(31)
Net cash used in financing activities	(19,665)	(5,479)
Change in cash, cash equivalents, and restricted cash	1,291	2,493
Cash, cash equivalents, and restricted cash at beginning of period	7,280	3,389
Cash, cash equivalents, and restricted cash at end of period	$ 8,571	$ 5,882
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheet:		
Cash and cash equivalents	$ 8,563	$ 5,783
Restricted cash, included in prepaid expenses and other current assets	8	99
Total cash, cash equivalents, and restricted cash	$ 8,571	$ 5,882
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	$ 7,449	$ 328

Here is the disclosure in Note 5 and no, as you can see, the company does not help to answer our question above



Income Taxes

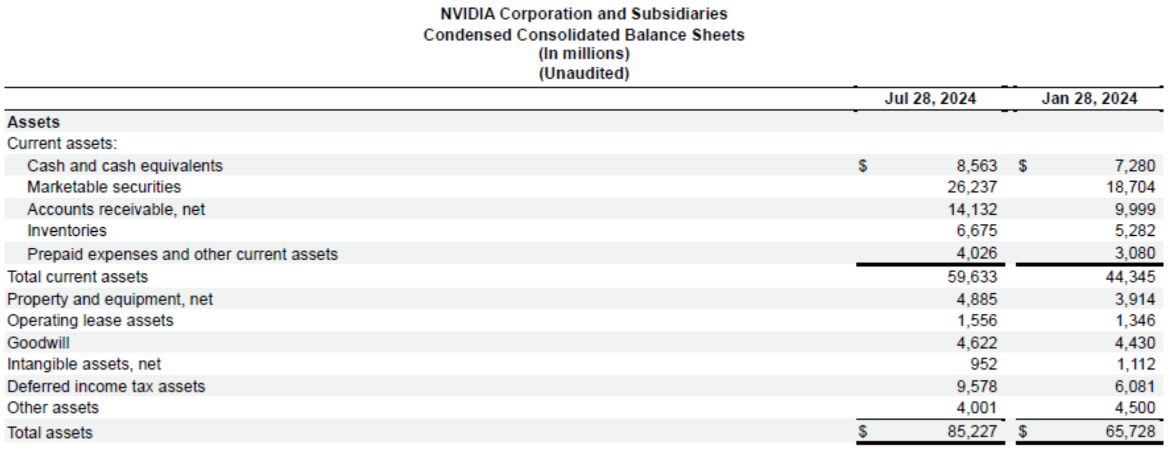
We recognized income tax expense of $2.6 billion and $5.0 billion for the second quarter and first half of fiscal year 2025, respectively, and $793 million and $958 million for the second quarter and first half of fiscal year 2024, respectively. Income tax expense as a percentage of income before income tax was 13.6% and 13.7% for the second quarter and first half of fiscal year 2025, respectively, and 11.4% and 10.4% for the second quarter and first half of fiscal year 2024, respectively.

The effective tax rate increased primarily due to a lower percentage of tax benefits from the foreign-derived intangible income deduction relative to the increase in income before income tax.

Given our current and anticipated future earnings, we believe that we may release the valuation allowance associated with certain state deferred tax assets in the near term, which would decrease our income tax expense for the period the release is recorded. The timing and amount of the valuation allowance release could vary based on our assessment of all available evidence.

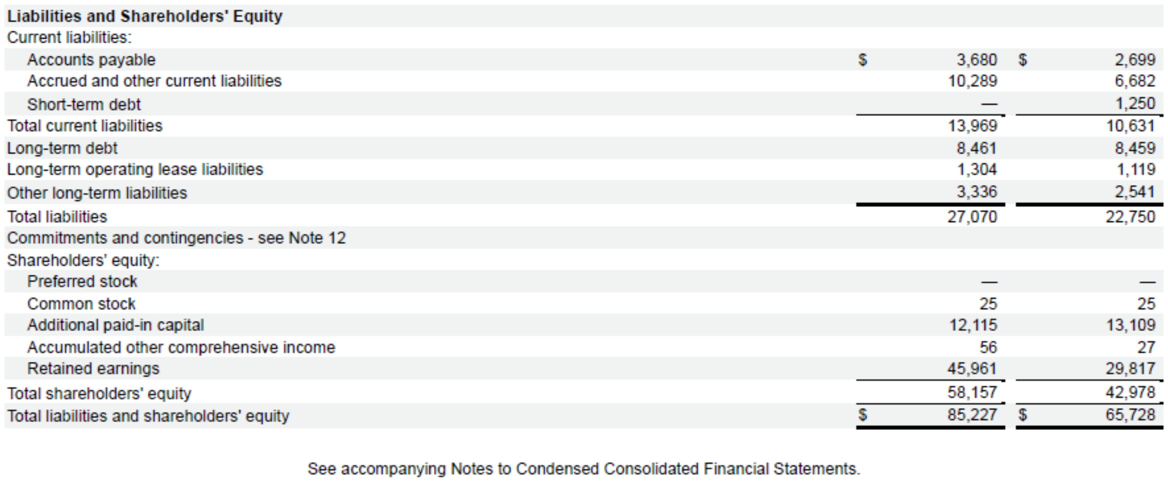
Refer to Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

However there is something strange in NVIDIA Balance sheet



NVIDIA Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)
(Unaudited)

	Jul 28, 2024	Jan 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 8,563	$ 7,280
Marketable securities	26,237	18,704
Accounts receivable, net	14,132	9,999
Inventories	6,675	5,282
Prepaid expenses and other current assets	4,026	3,080
Total current assets	59,633	44,345
Property and equipment, net	4,885	3,914
Operating lease assets	1,556	1,346
Goodwill	4,622	4,430
Intangible assets, net	952	1,112
Deferred income tax assets	9,578	6,081
Other assets	4,001	4,500
Total assets	$ 85,227	$ 65,728



Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 3,680	$ 2,699
Accrued and other current liabilities	10,289	6,682
Short-term debt	—	1,250
Total current liabilities	13,969	10,631
Long-term debt	8,461	8,459
Long-term operating lease liabilities	1,304	1,119
Other long-term liabilities	3,336	2,541
Total liabilities	27,070	22,750
Commitments and contingencies - see Note 12		
Shareholders' equity:		
Preferred stock	—	—
Common stock	25	25
Additional paid-in capital	12,115	13,109
Accumulated other comprehensive income	56	27
Retained earnings	45,961	29,817
Total shareholders' equity	58,157	42,978
Total liabilities and shareholders' equity	$ 85,227	$ 65,728

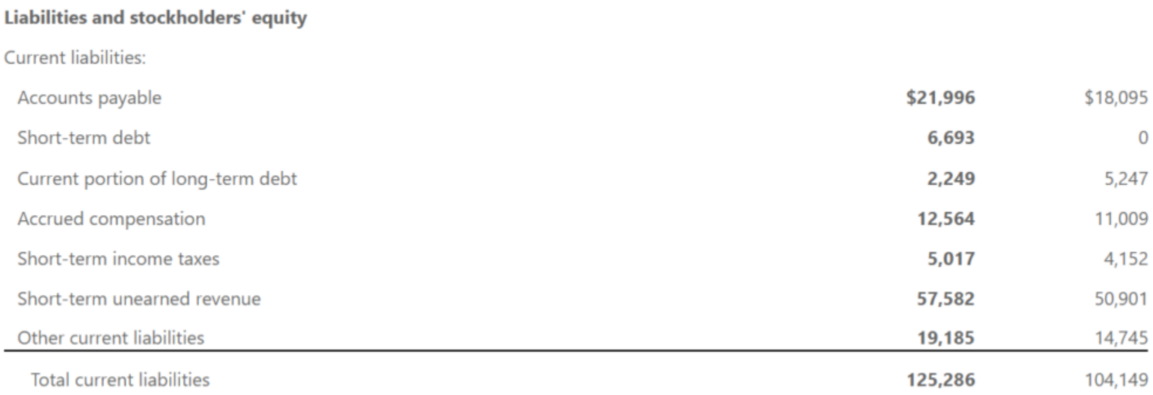
See accompanying Notes to Condensed Consolidated Financial Statements.

Have you noticed it? Let me help, if you check in the Assets side we can find “Deferred Income Tax Assets” totaling ~9.5bn$ in the last quarter. Yes, on the Assets side, that means is cash the company is supposed to receive back from Uncle Sam (because paid in advance). Hold on, why would a company pay more taxes than those it is supposed to?

Imagine you are booking “revenues” that are in reality future orders not yet delivered and/or paid, that means you will still have to pay taxes on them. Wait, what happens if those orders are then canceled as the company itself makes clear it can happen? Then you will have to go back in the previous quarters, write off those non-materialized revenues, and at that point, you can claim previously paid taxes back from Uncle Sam. On the other side, if those orders are then delivered and cashed in, NVIDIA will simply make an accounting transfer from Deferred Income Tax Assets into Cash and Equivalent without pay any more taxes or book any Deferred Tax in its liabilities. Smart isn't it? Of course, NVIDIA does not provide any disclosure whatsoever about the nature of those deferred income tax assets.

As a comparison to help your understanding you can see how Microsoft instead handles the same issues as we saw in "MICROSOFT REVENUES "ROUND TRIPPING" PONZI SCHEME IS NOW TOO BIG TO HIDE – THE TRUTH FROM THE CASH FLOWS"

The company correctly reported (an astonishingly high) 57.5bn$ of "unearned revenues" among its short-term liabilities. Perhaps because, differently from NVIDIA, they were less adamant to pay taxes on those before cashing them in.



Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	**$21,996**	$18,095
Short-term debt	**6,693**	0
Current portion of long-term debt	**2,249**	5,247
Accrued compensation	**12,564**	11,009
Short-term income taxes	**5,017**	4,152
Short-term unearned revenue	**57,582**	50,901
Other current liabilities	**19,185**	14,745
Total current liabilities	**125,286**	104,149

Let's apply some easy algebra now. If NVIDIA's average tax rate is ~13.5% and Deferred Income Tax Assets" are "9.5bn$ does not that imply that NVIDIA reported as "revenues" an amount equivalent to ~70.4bn$ of what are in reality unearned revenues? Strangely an amount that covers the one reported by Microsoft, its revenues round-tripping buddy. Wink wink.

Of course, what's the incentive for the US Government and regulators to look into NVIDIA books to make sure they don't miss out on their share of their revenues if the company diligently pays even more than what is due to them?

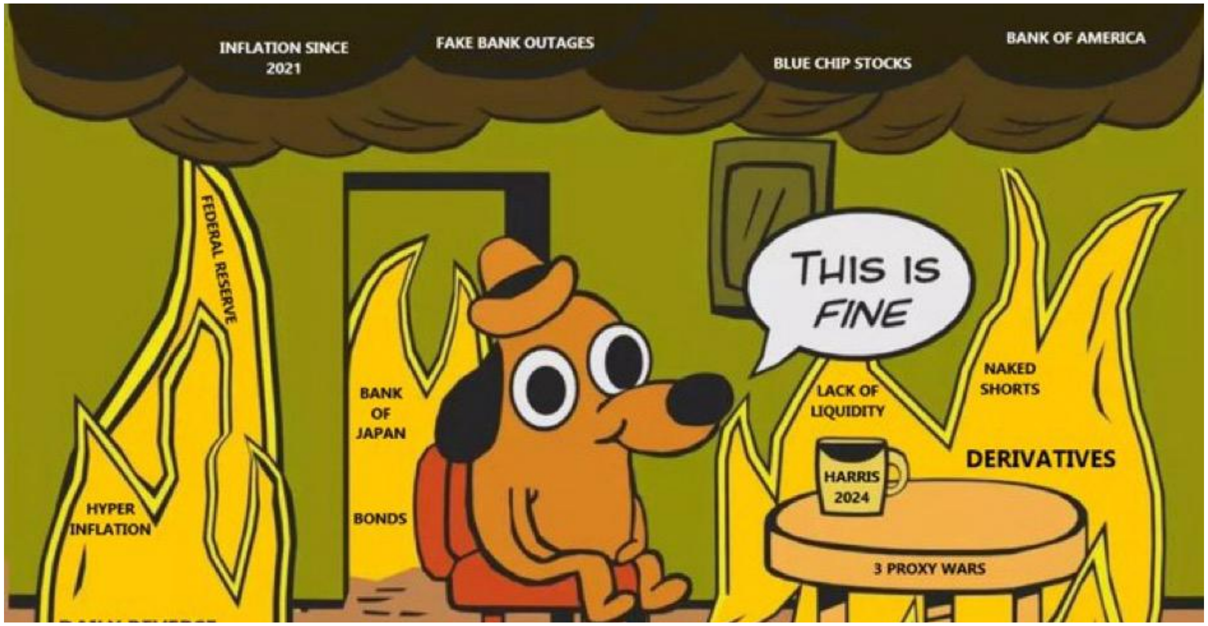
Now the question is fair, how much is the through operating cash flow of NVIDIA operations? How is it possible that the company repatriates all that huge amount of cash they are supposed to make abroad when it will be non-beneficial to them from a tax perspective? To answer this question we should go behind the numbers the company discloses to the public and check what's truly going on there, but unfortunately, that is something only government investigators can do.

justdario.com

NVIDIA WON’T CRASH MARKETS TOO MUCH BECAUSE TRADERS HAVE A BURNING HOUSE STILL STANDING WHERE THEY CAN HIDE

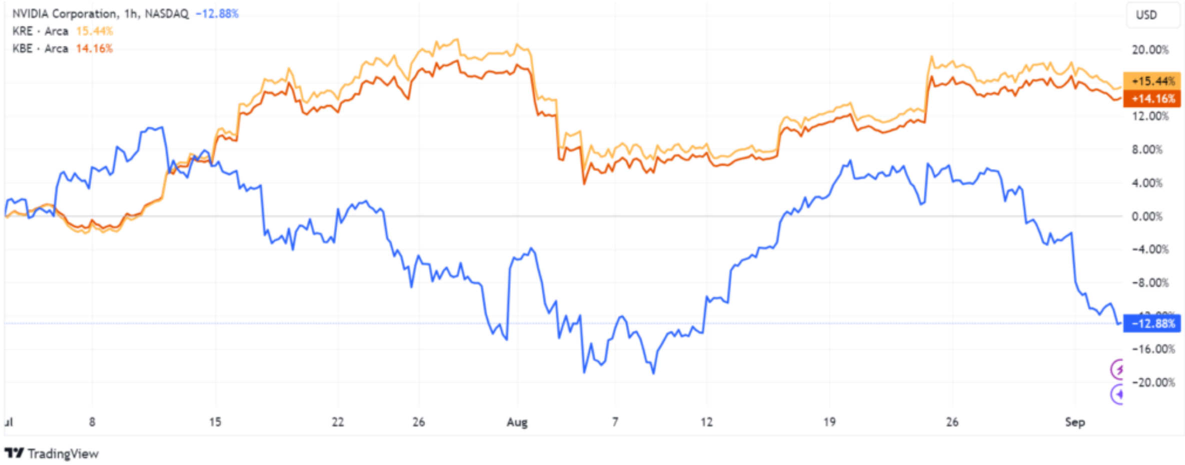
Dario

5–7 minutes


INFLATION SINCE 2021
FAKE BANK OUTAGES
BLUE CHIP STOCKS
BANK OF AMERICA
FEDERAL RESERVE
THIS IS FINE
BANK OF JAPAN
LACK OF LIQUIDITY
NAKED SHORTS
DERIVATIVES
HARRIS 2024
HYPER INFLATION
BONDS
3 PROXY WARS

DAILY REVERSE
REPO
PRINTING
TOKENIZED
SECURITIES
MARGIN CALLS
BITCOIN
SECURITIES SOLD
NOT YET
PURCHASED
QUADRILLION IN SWAPS

I bet very few noticed this: while NVIDIA and fellow bubbly tech stocks are having quite a hard time, banks, especially large ones, are actually showing remarkable strength in the 3rd quarter of 2024. Shocking, isn't it?

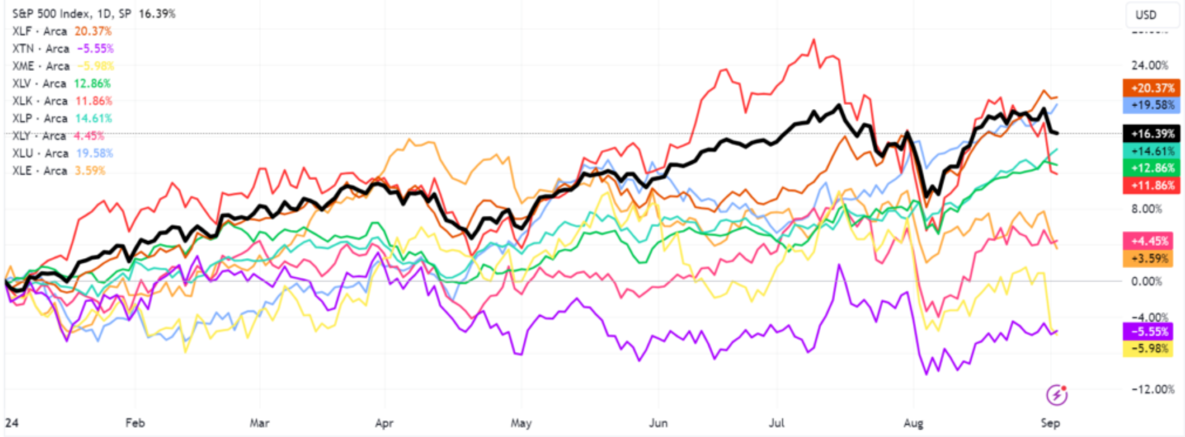


Back in February when I wrote [“WE HAVE NO ALTERNATIVE BUT TO RIDE STOCKS UNTIL THEY R]()UN”, the goal was to emphasize how the vast majority of money managers, including those claiming to do “active investing”, are in reality hostages of a market dynamic that effectively turns all of them into passive investors tracking benchmark indexes. They have no room to step out of the bubble craziness because if their competitors stay in and show relative outperformance, those who decide to be more prudent will lose their jobs. Considering that these asset managers aren't investing their personal savings in the funds, ETFs, or portfolios they manage and that acting in the interest of their investors and having more prudent risk management will cost them their jobs in this market, there is no incentive whatsoever for any of them not to keep riding this bubble till the very end.

So what are these people going to do if the NVIDIA locomotive stops carrying the stock bubble higher and higher? They will "rotate" and jump onto another locomotive as long as the overall market momentum remains positive. As a matter of fact, this rotation has been ongoing for several months now to the point that year-to-date, the financial sector has been the BEST performer so far. No, I am not joking, XLF and XLU (utilities) are YTD the only two sectors outperforming the S&P500 (SPX).

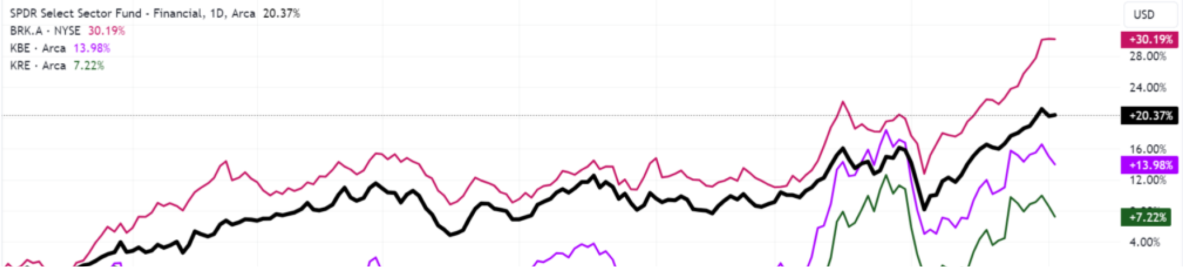
- XLF +20.37%
- XLU +19.58%
- S&P500 [Black bold line] +16.39%
- XLP (Consumer staples) + 14.61%
- XLV (Health) + 12.86%
- XLK (Tech) +11.86%

- XLY (Consumer discretionary) +4.45%
- XLE (Energy) + 3.59%
- XTN (Transportation) -5.55%
- XME (Metals) – 5.98%



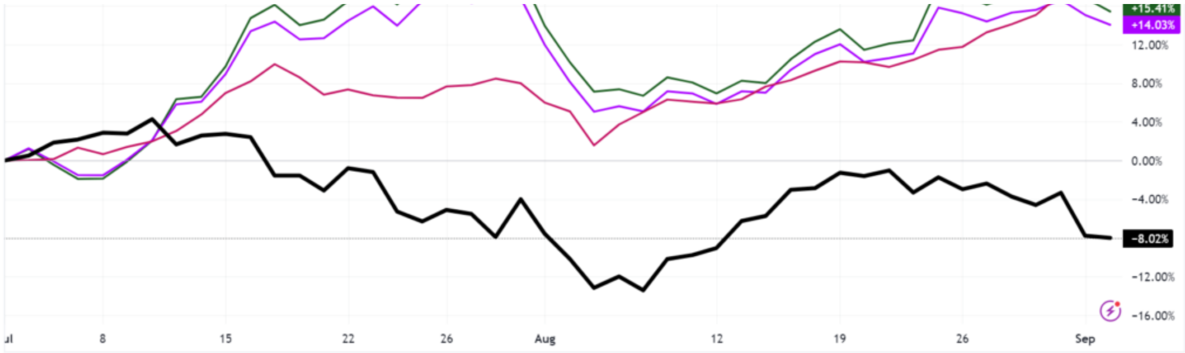
TradingView

Yes, my dear reader, while Warren Buffett is unloading his Bank of America shares as fast as he can (source), everyone else is piling into financial stocks. True, a big amount of XLF gains are due to Warren Buffett's BRK.A stock gains YTD; however, as we saw in the first chart, banks are being great beneficiaries of the positive momentum.



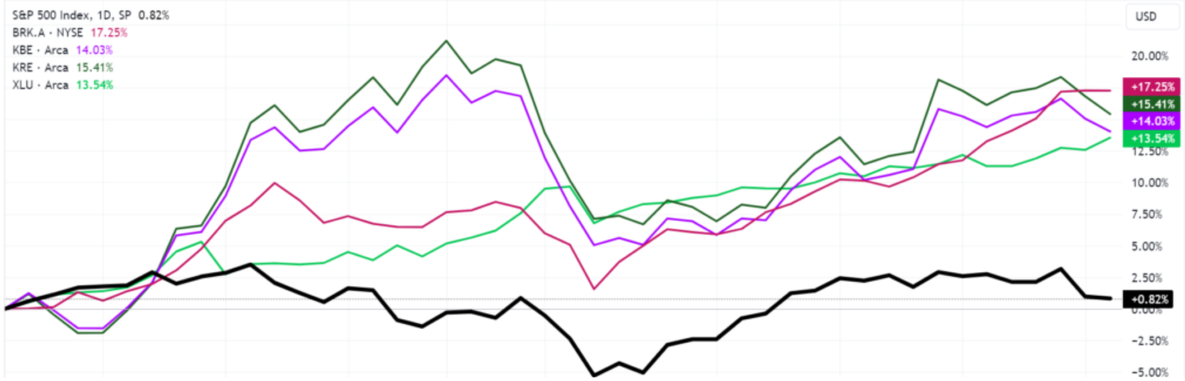
What we are observing here is exactly the consequence of widespread passive investing behavior, but this very same behavior is creating an incredible paradox, isn't it? Follow me here:

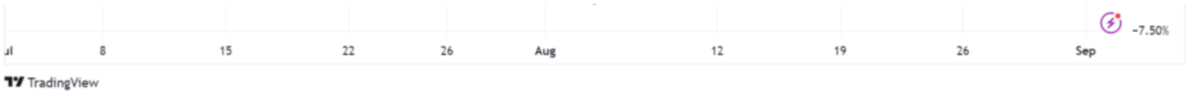
- Warren Buffett keeps dumping stocks and piling up cash to the point where he now owns more T-Bills than the FED ("Warren Buffett now owns more T-bills than the Federal Reserve") exactly because he is the white in the bubble eye and he is trying to de-risk as fast as he can;
- Investors buy BRK.A stocks because they trust Warren Buffett; this creates a "passive" bid for XLF, so all stocks included benefit from BRK.A's tailwind.
- The bid in XLF then trickles down in the same fashion into a bid for KBE and KRE.
- **So, while Buffett is dumping Bank of America shares, at the same time he is creating a bid for them, effectively selling at a much better price than what should be the case when such a large and prominent shareholder starts selling. Beautiful, simply beautiful.**



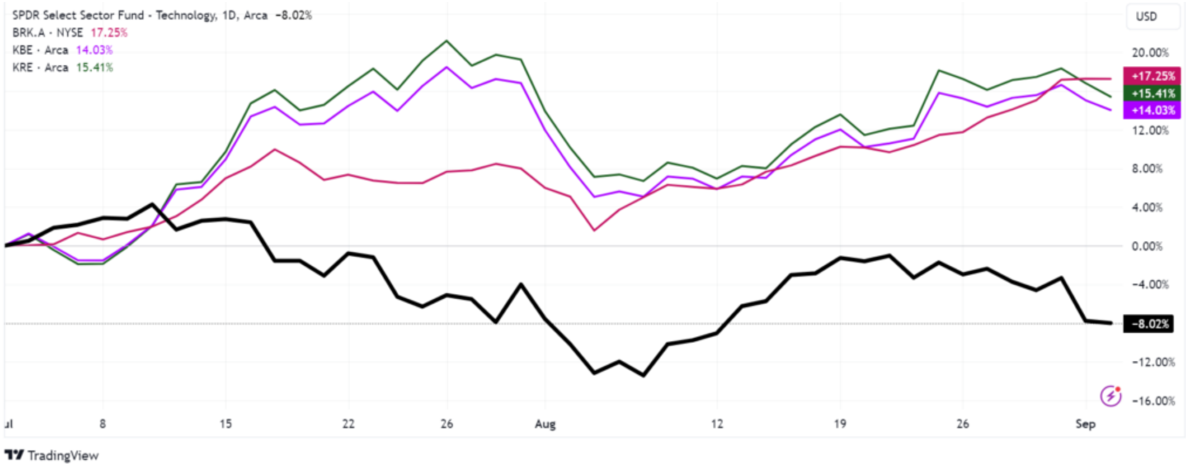
TradingView

Suppose we watch closer though and consider that Tech sector troubles started at the beginning of July and not on August 5th. In that case, we can see how investors' rotation from Tech to Financials accelerated at that moment, despite banks notoriously sitting on a huge pile of unrealized losses and their balance sheets becoming more and more fragile ("WILL BANKS MANAGE TO HIDE THEIR MOUNTAIN OF LOSSES FOR ONE MORE QUARTER?"). This is why I picked the "NVIDIA WON'T CRASH MARKETS TOO MUCH BECAUSE TRADERS HAVE A BURNING HOUSE STILL STANDING WHERE THEY CAN HIDE" title for this article.





As we can observe in the last chart below, financials and utilities have been greatly outperforming the S&P500 since July 1st, clearly a sign that as soon as investors started to smell something burning in the tech sector, they began rotating into what have historically been "defensive" sectors (at least according to the very popular "back-testing" used by many to justify their strategies and algorithmic trading). Furthermore, the big expectation for a FED rate cut coming in a few weeks threw gasoline on this under the false premise that this will be a big support for banks, even if such a move will instead have a high chance of triggering a second broad market crash in 2024 and reigniting inflation ("IF THE FED CUTS RATES, THE DAMAGES WILL BE FAR GREATER THAN THE BENEFITS").



Yes, my dear reader, investors are behaving completely illogically in perhaps the greatest display of how broken financial markets are right now as a result of many years of (reckless) Quantitative Easing, Government bailouts, loose regulation, and relaxed oversight on banks' balance sheet risks. I hope at this point you will agree with me that NVIDIA's incoming demise is just the "appetizer" of a broad-based crash; the real big one will only happen after when banks won't be able to "hide till maturity" their losses and insolvencies anymore, as I warned in my very first article of 2024: "2024 THE YEAR WHEN "HIDE TILL MATURITY" ENDS"

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THE SMOKING GUN THAT PROVES HOW OPENAI IS MICROSOFT'S REVENUES LAUNDROMAT

Dario

8–10 minutes

First of all, I would like to praise The Information for its excellent work in doing proper journalism, something that nowadays is more unique than rare, sadly. Let's start with the explosive article just published and that, of course, barely caught the attention of mainstream media that are being very careful in not upsetting their advertising clients. In "OpenAI Projections Imply Losses Tripling to $14 Billion in 2026" the spotlight has been brought onto the details of the latest OpenAI fundraise where investors paid $6.6bn valuing the Ponzi scheme, sorry the company, $157bn (OpenAI Raises $6.6 Billion in Funds at $157 Billion Value) just one week ago. Here are the 3 most incredible things reported:

- OpenAI doesn't project to be profitable until 2029
- OpenAI projects to lose $14bn in 2026
- OpenAI projects to incur $44bn of total losses from 2023 to 2028 EXCLUDING stock-based compensation
- OpenAI pays 20% of its revenues to Microsoft

Let's put some context here. Back in July, news about OpenAI set to lose $5bn this year and projected to run out of cash to operate in 12 months started surfacing (Why OpenAI Could Lose $5 Billion This Year). Then 3 months later, investors decide to pay $6.6bn at a valuation almost double the previous round, knowing that according to OpenAI's own projections, this money is expected to barely last until Q1-2026.

Clearly, there is something wrong here, very wrong, starting from the form of the fundraising that was done in Convertible Notes and not directly into equity. Why? Currently, OpenAI is a non-profit organization (not a joke).

The second odd detail was granting Scam Altman 7% of the equity upon the transformation of OpenAI's legal entity from a non-profit to a for-profit organization (an event that will also trigger the conversion of the Notes into Equity). The third odd detail of the fundraiser was the restriction imposed on investors to invest in any of OpenAI's competitors such as XAI or Anthropic. The last odd detail was that upon successful fundraising, OpenAI was granted a $4bn revolving credit line by a syndicate of banks. This will potentially extend OpenAI operations until Q3-2026 when the company will be running out of cash according to its own estimates.

What kind of investor would ever enter into a deal of this sort? No one, in theory, unless keeping OpenAI running provides secondary benefits. What are these benefits?

Among all OpenAI investors, there is one, the largest, that desperately needs OpenAI to stay in business: Microsoft. The relationship between the two companies isn't a simple one of a customer and a service provider, and I have already addressed the concerning details many times:

- WHAT IF NVIDIA SIMPLY TAGGED ALONG WITH A MICROSOFT AZURE SCAM PLAYBOOK?
- MELLANOX, THE CORNERSTONE OF NVIDIA-MICROSOFT

REVENUES ROUND-TRIPPING SCHEME

- MICROSOFT REVENUES “ROUND TRIPPING” PONZI SCHEME IS NOW TOO BIG TO HIDE – THE TRUTH FROM THE CASH FLOWS

In a nutshell, Microsoft has been printing Azure credits “out of thin air” to purchase equity in hyped startup companies, especially OpenAI. Then when these companies use the credits, Microsoft books revenues in its income statement. It does not take a degree in accounting to understand that there is no cash involved in this process, but investors and Wall Street analysts love to see top-line growth without asking questions about where that growth comes from.

Under U.S. GAAP, two companies are considered affiliated entities when one has significant influence over the other but owns less than 50% of its voting shares. “Significant influence” means one company can affect decisions like policies or management without fully controlling the other. In such cases, transactions between these affiliates (like sales or services) cannot be counted as revenue or expenses in the financial statements because they are considered internal transfers, not external business transactions.

What are the criteria to determine if a company has “significant influence over another”?

Significant influence refers to the ability of one company to affect the financial and operational decisions of another company, even though it does not have full control or majority ownership. Typically, significant influence is presumed to exist when a company owns 20-50% of another company's voting shares. However, even if ownership is below this range, significant influence can still be demonstrated through other factors, such as:

1- Having representation on the board of directors

2 – Participating in policy-making decisions

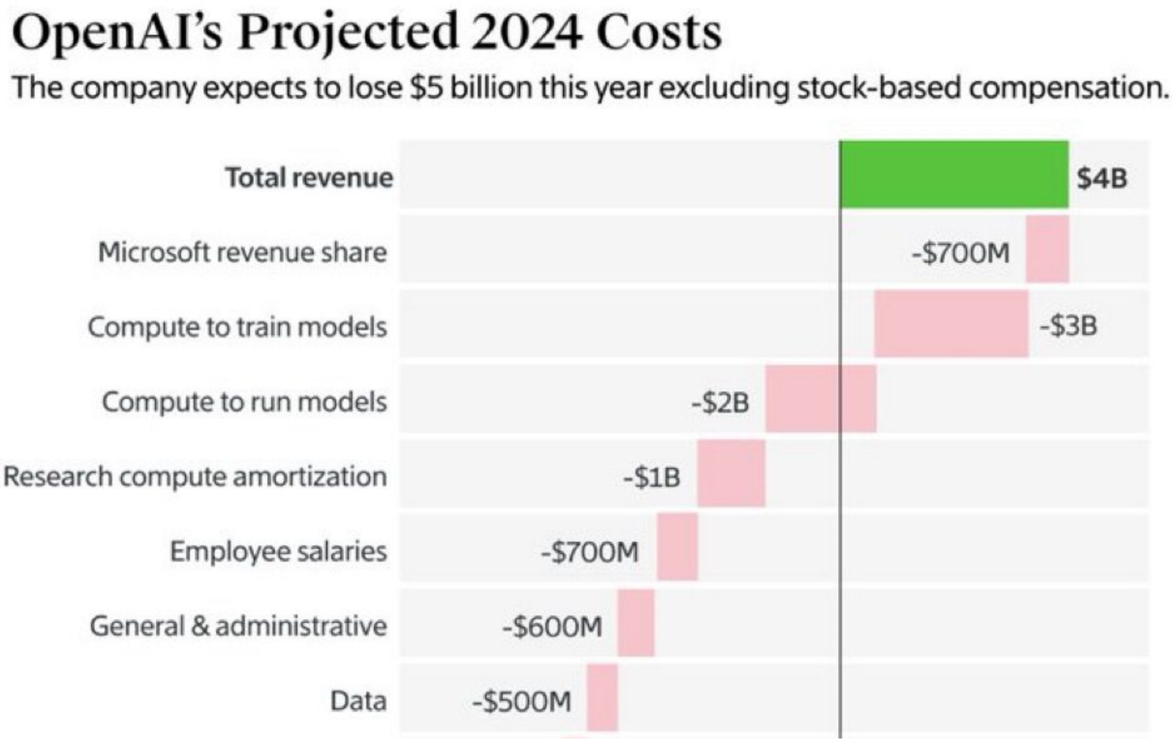
3 – Material transactions between the companies

4 – Interchange of management or technical expertise

5 – Dependence on the other company for a major aspect of business (e.g., supplies or customers)

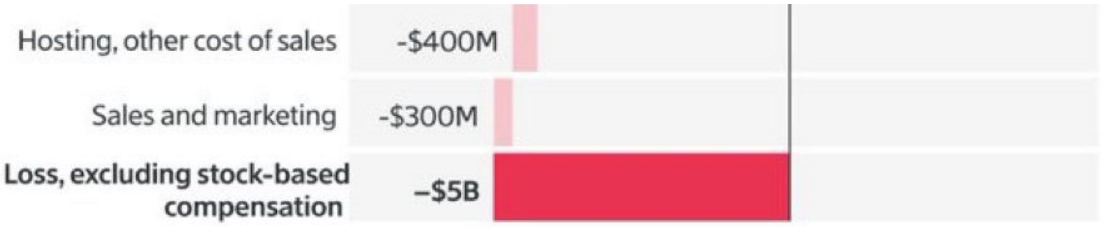
There is no doubt whatsoever that Microsoft has a "significant influence" on OpenAI considering criteria 3, 4, and 5. However, as we saw in the previous article, Microsoft accountants used a trick to still inflate Azure revenues making sure the balance sheet squared: they inflated Microsoft's "Unearned revenues" liabilities account that reached almost $70bn in Q2-2024. The clear Achilles' heel of all this revenue round-tripping (Ponzi) scheme is, of course, the fact that there is no cash that justifies these transactions. Hence, it is not surprising that now Microsoft requested a hard 20% kickback on OpenAI revenues so they can start filling that gap, hoping that no one pays attention to the financial shenanigans going on here.

OpenAI is effectively a revenue laundromat for Microsoft and the company does not even hide it in its own projections as you can see in the chart below considering "Microsoft Revenue Shares", "Compute To Train Models", "Compute To Run Models", "Research and Computing Amortization" and "Hosting" are all items related to OpenAI relationship with Microsoft.



OpenAI's Projected 2024 Costs

The company expects to lose $5 billion this year excluding stock-based compensation.



Source: The Information reporting

Of course, Microsoft isn't alone in such a fraudulent scheme, which, to be clear, has already been replicated with many other smaller startups. NVIDIA has been a partner in it since the very beginning, hence it should not surprise everyone that they participated in this investment round. NVIDIA has only one goal: keep booking orders for its GPUs to keep its stock valuation inflated to a level that is only justified by the fact that every single person in the world will be eating GPUs for breakfast, lunch, and dinner in the future. However, NVIDIA has a problem with one of the companies that has been instrumental in boosting its incredible (albeit fake) growth: SMCI – THE NUCLEAR NOTHING BURGER THAT CAN EXPOSE NVIDIA SHENANIGANS. That the two companies have been cooperating in the same scheme is obvious to anyone paying attention ("HYPERSCALERS" OR "HYPERCHEATERS"? – ADDING HINDENBURG PIECE TO THE BIG PONZI PUZZLE WE HAVE BEEN PUTTING TOGETHER TILL NOW WHILE WAITING FOR NVIDIA EARNINGS), but luckily for them, no one but a few really do nowadays.

SoftBank is another company that participated in OpenAI's latest fundraise since it belongs to the category of those in desperate need for the bubble not to pop:

- IS SOFTBANK TRYING TO SQUEEZE ARM INTO MAJOR INDEXES TO FORCE PASSIVE INVESTING BIDS AND LIQUIDATE THE STOCK WITHOUT CRASHING IT?
- DOES SOFTBANK NEED THE WEEKEND TO NEGOTIATE ITS BAILOUT?
- IF ARCHEGOS BUSTED CREDIT SUISSE, WHICH BANK WILL A SOFTBANK IMPLOSION SINK?
- Is ARM The Canary In The $NVDA Coal Mine?

The DOJ is already investigating on many fronts, from Microsoft and Nvidia’s questionable buying spree of startup companies to SMCI’s fraudulent accounting. However, all the companies I mentioned are doing such an incredible job combining timely PR, stock buybacks, and extremely sophisticated accounting to keep the fraud from being exposed to the general public that keeps loving them and buying their shares. Mark my words, all this is going to end very badly, ultimately popping the semiconductor bubble and leaving many clueless investors in ETFs, Passive Funds, and Pension Funds significantly damaged (IT HAS NEVER BEEN A BUBBLE IN AI, BUT A PONZI SCHEME IN

SEMICONDUCTOR STOCKS SINCE THE VERY BEGINNING).

However, similar to the Dot Com bubble of the early 2000s, all this oversupply of computing power is ultimately going to significantly lower the costs for all those startups that will leverage AI to build sound business products and operations, and among these, the future mega-caps will emerge like Google, Facebook, or Amazon did in the aftermath of the internet bubble more than 20 years ago.

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GPUs OVERSUPPLY IS ALREADY HERE – HOW ASML'S MISTAKE EXPOSED NVIDIA'S CASTLE OF LIES

Dario

6–7 minutes

No, I am not going to begin talking about what happened yesterday with ASML. Before we get there, we need to start from the 11th of October when this article (of course totally ignored by MSM and Social Media busy broadcasting the latest phenomenal predictions Jensen Huang was spitting out non-stop) appeared on the web: $2 H100s: How the GPU Rental Bubble Burst.

This is the article TLDR: ***Don't buy H100s. The market has flipped from shortage ($8/hr) to oversupplied ($2/hr), because of reserved compute resales, open model finetuning, and decline in new foundation model co's. Rent instead***

Let me summarize here the key points:

- At the very beginning of the AI race, building a data center filled with NVIDIA H100 GPUs and renting them out for at least $4.7 per hour allowed the providers to recover their investment in infrastructure in about 1.5 years.
- Overall through the years, $600bn USD of data center infrastructure investments have been poured to accommodate AI demand believed to be of a nearly infinite order of magnitude.

- In August 2024, several major providers were already slashing their rates for H100 GPU rentals to $1-2 per hour to attract demand that, apparently, wasn't as infinite as people projected.
- While before service providers expected to effectively "print money" after 1.5 years, at the current prices they won't be able to recover their investments in less than 5 years, and while the supply keeps increasing, the demand isn't matching it.
- Many AI companies entered into multi-year contracts in 2023 to make sure they locked in the prices (at that time still rising) and GPU computing capacity, agreeing to rates above $4 per hour. However, these companies are now using a fraction of the capacity they bought due to the improvements in training and implementing AI models. As a consequence, in order to recover some of the costs they already agreed to pay, they became resellers in the market, pushing prices even lower.
- The current supply doesn't even take into consideration the H100 GPUs datacenters coming online now after buyers finally got their GPUs delivered after many months of delay.
- Customers are now shifting to cheaper alternatives, like AMD, especially for inference models since the revenue stream they projected isn't materializing as expected, and they are now under pressure to reduce their cash burn while increasing their efficiency and sustainability of their

operations.

This article doesn’t even take into consideration the new Nvidia Blackwell that, according to Jensen Huang, was flying off the shelves:

- Nvidia rides fierce Blackwell demand to record stock close
- NVIDIA Blackwell GPUs Sold Out: Demand Surges, What’s Next?
- NVIDIA’s Entire Blackwell AI GPU Supply Sold Out For The Next 12 Months, AI Firms Gobble Up 100K Units In A Single Order Highlighting Insane Demand
- Nvidia CEO Jensen Huang says demand for next-generation Blackwell AI chip is ‘insane’

Clearly, the two stories did not match at all, and this is when ASML made the “mistake” of releasing its financial results earlier than scheduled. What did ASML accidentally reveal? In a nutshell, contrary to Wall Street analysts’ very bullish expectations for ~$5.6bn of net bookings, ASML disclosed $2.6bn or less than half of them, causing a 16% crash in the company stock that wiped out $50bn of value and cascaded on all other hyped semiconductor companies from Nvidia to Arm. There was one comment in particular that investors did not like from ASML’s CFO, who claimed the demand for their machines (that are used in the production of high-performance semiconductors like GPUs) has been weak because their customers like TSMC are currently running at ~80% capacity.

Hold on a second. Wasn't Jensen Huang claiming "insane" demand for Blackwell, and how was all production for the following year already fully booked? If this is the case, how is it possible that TSMC (the only manufacturer of Nvidia products) isn't operating its factories at full capacity? Let me play devil's advocate here: is there a chance that ASML released the wrong financial statements? I mean, they released those including the real state of its operations rather than those meant to be provided to Wall Street after future orders were "adjusted" in order to be in line with the narrative so adamantly pushed by Nvidia? It is not a secret how companies often have last-minute "reviews" of their accounts before they are made public, with instances in the past when orders have been booked right before financial statement releases in order to embellish a quarter that otherwise would have been underwhelming. Personally speaking, it is hard not to suspect something of this sort could have been involved with ASML, considering the key role this specific company has in the whole semiconductor ecosystem.

Ironically, one day before the article I mentioned at the very beginning, I published THE SMOKING GUN THAT PROVES HOW OPENAI IS MICROSOFT'S REVENUES LAUNDROMAT demonstrating point blank how Microsoft is using a complex scheme of credits for the use of its

Azure data centers to inflate its revenues and effectively hiding the oversupply problem that has been documented in detail by a tech analyst who aimed to give suggestions to other tech developers without realizing the broader implications of all the evidence he brought to light, especially for Nvidia (articles archive)

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UNTANGLING THE GREAT MICROSOFT ACCOUNTING (BORDERLINE FRAUDULENT) SHENANIGANS

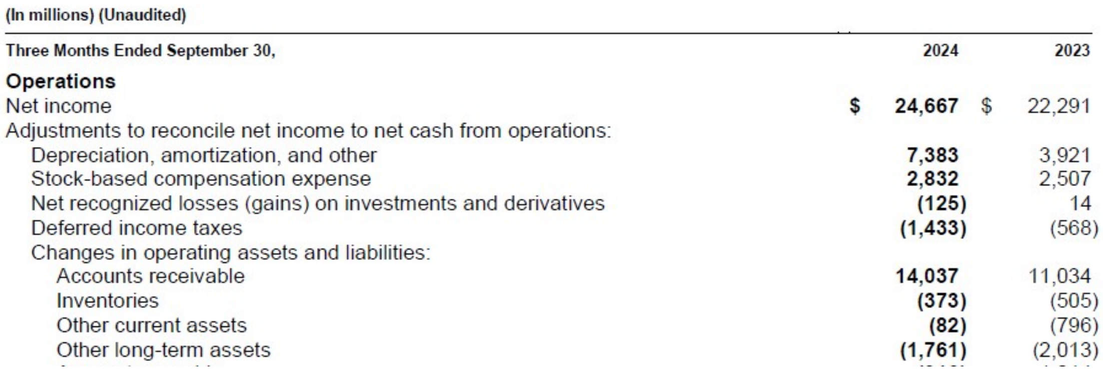
Dario

6–7 minutes

Another great quarter for Microsoft that beat Wall Street analysts' expectations comfortably (what a surprise), but once again the tides turned when the management started to provide guidance on future growth that came short of what investors were expecting, sending the stock price negative almost 4% during after-hours trading. However, while everyone was focusing on the headline numbers and singing "Kumbaya!" till Satya started to speak (what a party spoiler, he should borrow some pages from the Jensen playbook), nobody decided to take a tour beyond page 1 of the 10-Q released by Microsoft and really check if things are so truly hunky-dory. A few months ago things did not look so great (MICROSOFT REVENUES "ROUND TRIPPING" PONZI SCHEME IS NOW TOO BIG TO HIDE – THE TRUTH FROM THE CASH FLOWS), let's go take a look if the revenues round-tripping Ponzi is in a better shape today.

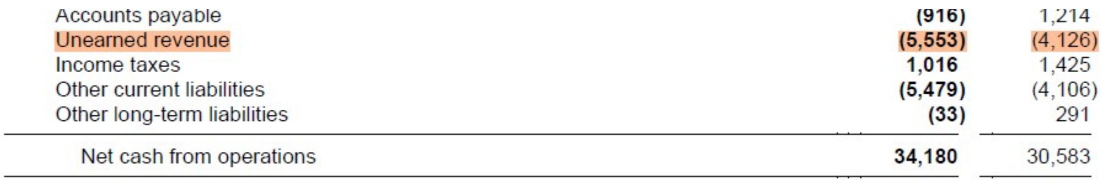
🚩
Microsoft FAILED to collect cash for 17 billion USD of "Unearned Revenues" in Q3-24

As you can see from the statement of cash flow below, Microsoft collected ~5.5bn USD of cash related to revenues it already recognized in previous quarters.



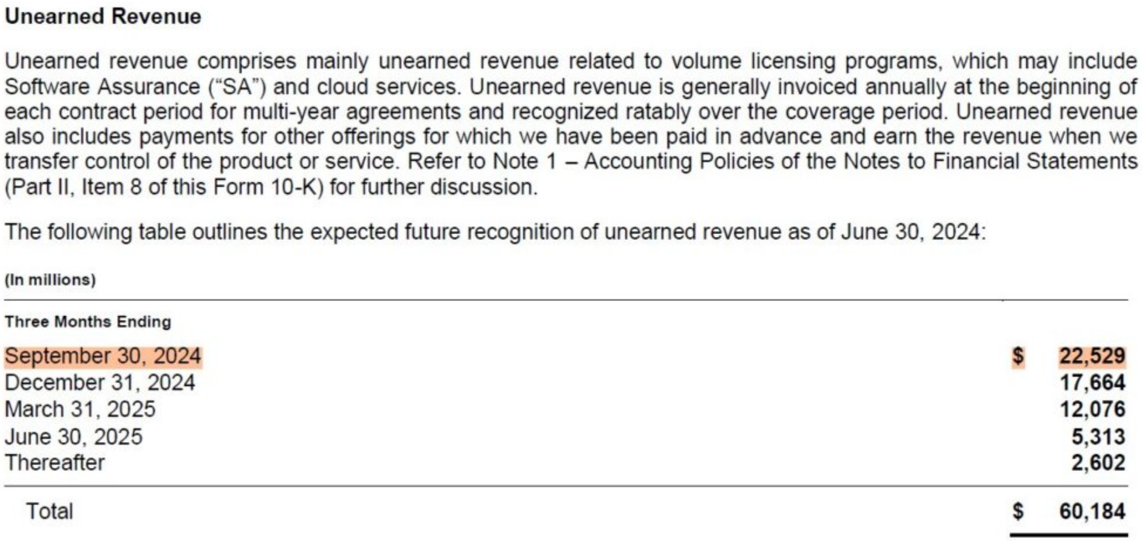
(In millions) (Unaudited)

Three Months Ended September 30,	2024	2023
Operations		
Net income	$ 24,667	$ 22,291
Adjustments to reconcile net income to net cash from operations:		
Depreciation, amortization, and other	7,383	3,921
Stock-based compensation expense	2,832	2,507
Net recognized losses (gains) on investments and derivatives	(125)	14
Deferred income taxes	(1,433)	(568)
Changes in operating assets and liabilities:		
Accounts receivable	14,037	11,034
Inventories	(373)	(505)
Other current assets	(82)	(796)
Other long-term assets	(1,761)	(2,013)



Accounts payable	**(916)**	1,214
Unearned revenue	**(5,553)**	(4,126)
Income taxes	**1,016**	1,425
Other current liabilities	**(5,479)**	(4,106)
Other long-term liabilities	**(33)**	291
Net cash from operations	**34,180**	30,583

What's wrong with it? As you can see in the table below from the previous quarter disclosing the details on the "Unearned Revenues" liabilities account, Microsoft should have collected ~22.5bn USD by the end of September 2024!



Unearned Revenue

Unearned revenue comprises mainly unearned revenue related to volume licensing programs, which may include Software Assurance ("SA") and cloud services. Unearned revenue is generally invoiced annually at the beginning of each contract period for multi-year agreements and recognized ratably over the coverage period. Unearned revenue also includes payments for other offerings for which we have been paid in advance and earn the revenue when we transfer control of the product or service. Refer to Note 1 – Accounting Policies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion.

The following table outlines the expected future recognition of unearned revenue as of June 30, 2024:

(In millions)

Three Months Ending	
September 30, 2024	**$ 22,529**
December 31, 2024	**17,664**
March 31, 2025	**12,076**
June 30, 2025	**5,313**
Thereafter	**2,602**
Total	**$ 60,184**

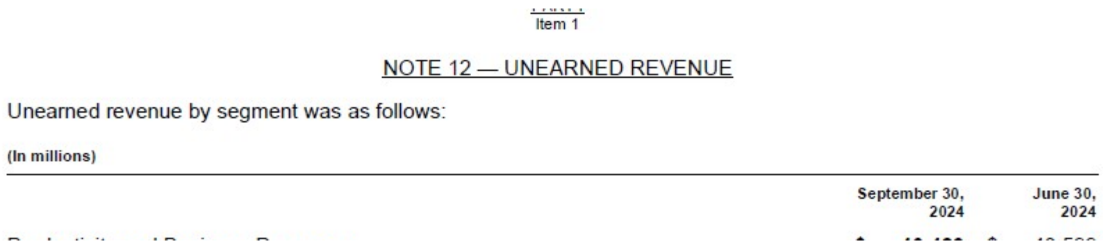
Yes, my dear reader, someone did not pay Microsoft 17bn USD and I have a strong gut feeling SMCI and OpenAI might have something to do with it considering OpenAI is the company revenues laundromat (THE SMOKING GUN THAT PROVES HOW OPENAI IS MICROSOFT'S REVENUES LAUNDROMAT). Maybe just a coincidence, but those ~5.5bn USD in cash Microsoft received are somewhat close to the full amount of cash OpenAI raised during its last fundraising round closed in Q3-24: [OpenAI Raises $6.6 Billion in Funds at $157 Billion Value](). Strange, isn't it?

So how did Microsoft handle the hiccup? As you can see in the beautiful table below I prepared to make it easier to compare the unearned revenues account between the 2 quarters, Microsoft spread out those 17bn USD in several future quarters. The same table also shows how for this quarter Microsoft recognized one extra billion of unearned revenues. Hold on a second here, by how much did Microsoft beat Wall Street analyst revenue expectations this quarter? **EXACTLY BY 1 BILLION USD** (65.6bn$ vs 64.6bn$ Expected): [Microsoft beats expectations with Q1 earnings driven by cloud](). Yes, my dear reader, the company made up 1 billion USD of revenues it has not been paid for to nail a "beat".

🚩

Big accounting changes for Microsoft in Q3-24 for Unearned Revenues

Yes, I am not done on this topic. As you can see underneath the table below, Microsoft made some changes in its accounting for unearned revenues



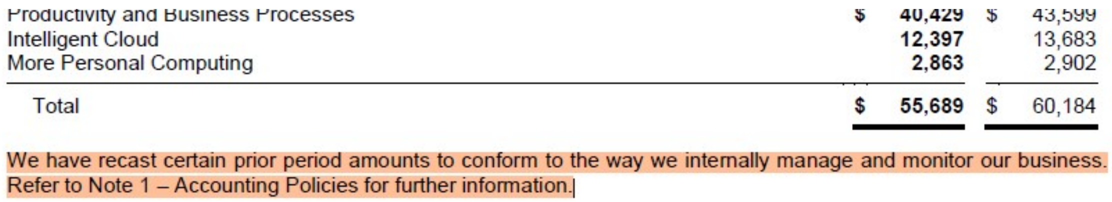
Item 1

NOTE 12 — UNEARNED REVENUE

Unearned revenue by segment was as follows:

(In millions)

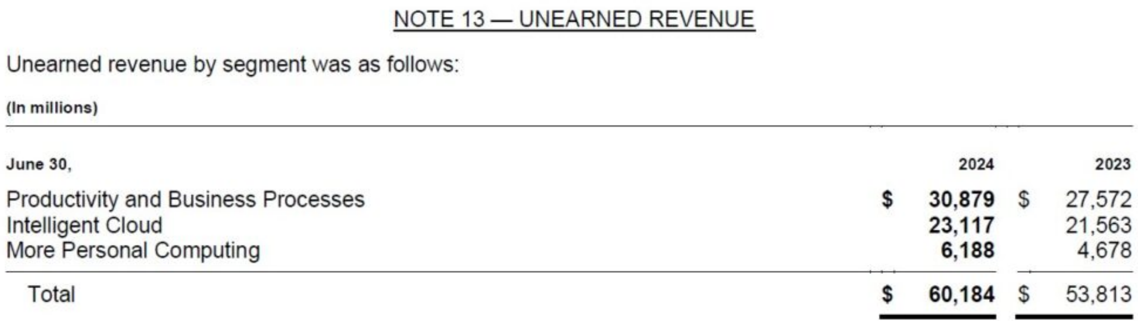
	September 30, 2024	June 30, 2024



Productivity and Business Processes	$ 40,429	$ 43,599
Intelligent Cloud	12,397	13,683
More Personal Computing	2,863	2,902
Total	$ 55,689	$ 60,184

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

What did they change exactly? As you can see in the next table, more than 10bn USD of unearned revenues previously accounted to "Intelligent Cloud" (where Azure revenues are included) services have been shifted to "Productivity and Business Processes"



NOTE 13 — UNEARNED REVENUE

Unearned revenue by segment was as follows:

(In millions)

June 30,	2024	2023
Productivity and Business Processes	$ 30,879	$ 27,572
Intelligent Cloud	23,117	21,563
More Personal Computing	6,188	4,678
Total	$ 60,184	$ 53,813

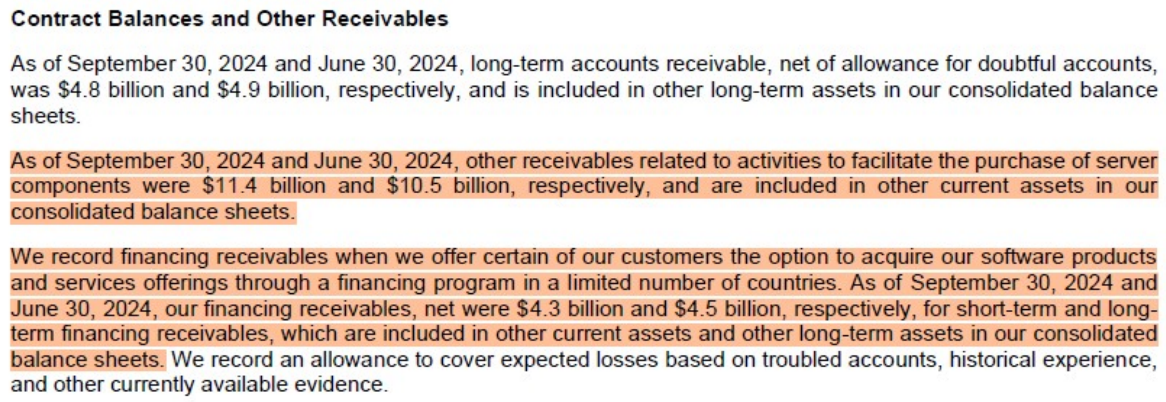
Why this trick? Thanks to lower Azure revenues the previous quarter, Microsoft showcased a 33% growth in Azure cloud services again "beating" Wall Street analyst expectations.

🚩

Most of Microsoft has been financing other companies to acquire server components and to buy its own services

What?! Yes, I bet this is what just popped into your mind because, in theory, Microsoft is the one supposed to build and run the servers, right?

Apparently not, considering that out of ~26bn USD of "Other current assets" in Microsoft's balance sheet, ~11.4bn USD are related to financing Microsoft gave to other companies to acquire server components as you can see in the first part highlighted below. Why do I have a strong gut feeling that this is related to Microsoft financing other companies to buy NVIDIA GPUs while Microsoft itself already buys the lion's share of NVIDIA GPUs (especially Blackwell ones)?



Contract Balances and Other Receivables

As of September 30, 2024 and June 30, 2024, long-term accounts receivable, net of allowance for doubtful accounts, was $4.8 billion and $4.9 billion, respectively, and is included in other long-term assets in our consolidated balance sheets.

As of September 30, 2024 and June 30, 2024, other receivables related to activities to facilitate the purchase of server components were $11.4 billion and $10.5 billion, respectively, and are included in other current assets in our consolidated balance sheets.

We record financing receivables when we offer certain of our customers the option to acquire our software products and services offerings through a financing program in a limited number of countries. As of September 30, 2024 and June 30, 2024, our financing receivables, net were $4.3 billion and $4.5 billion, respectively, for short-term and long-term financing receivables, which are included in other current assets and other long-term assets in our consolidated balance sheets. We record an allowance to cover expected losses based on troubled accounts, historical experience, and other currently available evidence.

As you can read in the second part highlighted, Microsoft lent ~4.3bn USD to customers to purchase its own products. Not a big deal, you might say. Well, here's the thing: if my math is correct, there are ~10bn USD of Other Current Assets the company provides ZERO explanation about.

🚩

Microsoft's start-ups shopping spree came to a halt, but the questionable valuation of its Goodwill remains

We know that 51bn$ of Goodwill in Microsoft's balance sheet is related to the Activision Blizzard acquisition that was fully paid in cash, but what about the rest? As you can see from the math below from my last article 3 months ago, 43% of what is still accounted as Goodwill by Microsoft was acquired without paying a penny of cash (we know they like to use a lot of Azure credits) hence as a matter of fact Microsoft has been printing money out of thin air and including it in its accounts.

In its latest earnings release, Microsoft claims it spent:

- *44.4bn$ to purchase property and equipment (up from 28bn$ spent the year before)*
- *69bn$ in companies acquisitions (up from 1.67bn$ the year before)*
- *17.7bn$ in "purchase of investments" (down from 37.7bn$ the year before)*

Microsoft's Net Income for the past 12 months was 118.5bn$ meanwhile the net cash used in financing was negative 38bn$ (the lion's share is dividends and stock buybacks).

Let's do some easy math now: 132bn$ – 118.5bn$ + 38bn$ = 58bn$

Waaaait a second, how much did Microsoft Goodwill increase? ~52bn$

What about the increase in "fake revenues"? ~6bn$

Yes, dear readers, ***43% of Microsoft's buying spree was executed***

without the company paying a penny of cash.

As of the latest earnings, Microsoft's "Goodwill" totals ~119bn$, and at this point the question is fair: if arguably they didn't pay cash for it how much is this goodwill really worth?

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SOFTBANK IS RUNNING OUT OF CASH, BUT NO WORRIES NVIDIA IS TRYING TO RESCUE IT

Dario

6–7 minutes

Skip to content

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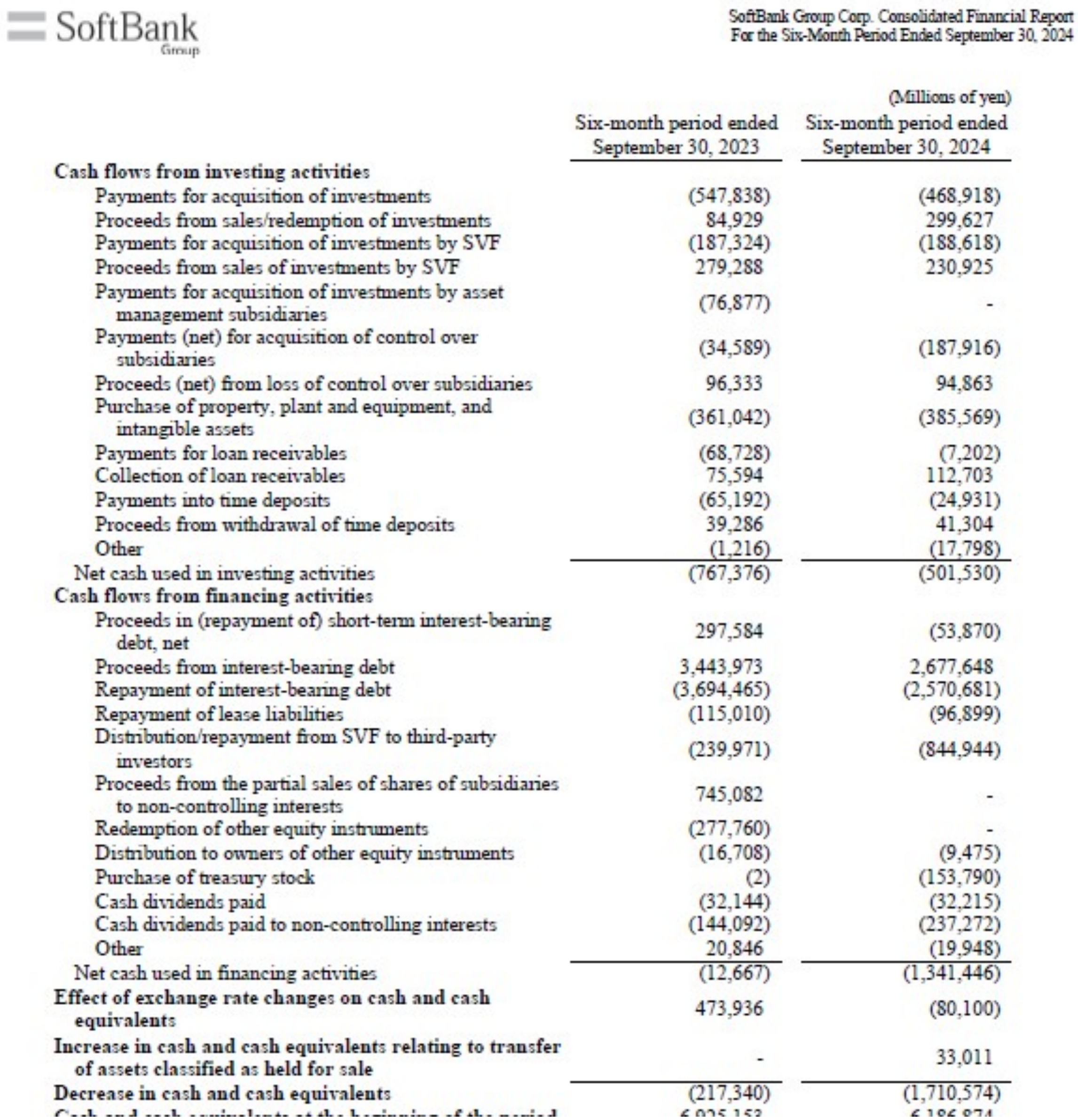
SOFTBANK IS RUNNING OUT OF CASH, BUT NO WORRIES NVIDIA IS TRYING TO RESCUE IT

"We are born to make things happen"

As I was finishing up drafting this article, a "breaking news" pops up: [“SoftBank to get first NVIDIA chips for Japan super computer”](). How timely, right? SoftBank just released its quarterly financial statements that leave not much room for doubt: SoftBank group only has cash to stay in business for less than a year.

It does not take a full master's degree in accounting to figure this out, just look at the run rate of cash burn in SoftBank's cash flow statement.

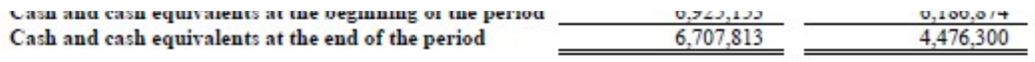


SoftBank Group

SoftBank Group Corp. Consolidated Financial Report
For the Six-Month Period Ended September 30, 2024

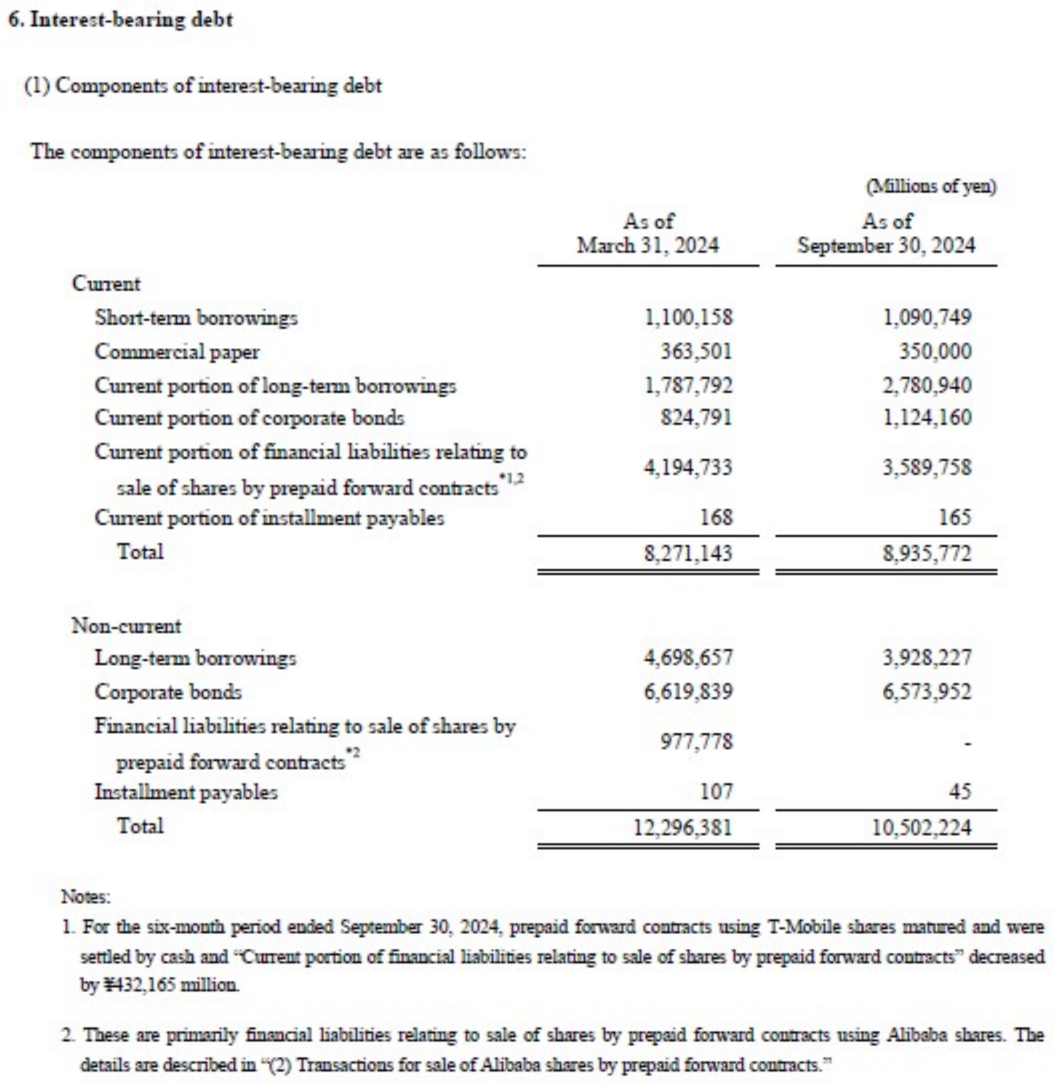
(Millions of yen)

	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024
Cash flows from investing activities		
Payments for acquisition of investments	(547,838)	(468,918)
Proceeds from sales/redemption of investments	84,929	299,627
Payments for acquisition of investments by SVF	(187,324)	(188,618)
Proceeds from sales of investments by SVF	279,288	230,925
Payments for acquisition of investments by asset management subsidiaries	(76,877)	-
Payments (net) for acquisition of control over subsidiaries	(34,589)	(187,916)
Proceeds (net) from loss of control over subsidiaries	96,333	94,863
Purchase of property, plant and equipment, and intangible assets	(361,042)	(385,569)
Payments for loan receivables	(68,728)	(7,202)
Collection of loan receivables	75,594	112,703
Payments into time deposits	(65,192)	(24,931)
Proceeds from withdrawal of time deposits	39,286	41,304
Other	(1,216)	(17,798)
Net cash used in investing activities	(767,376)	(501,530)
Cash flows from financing activities		
Proceeds in (repayment of) short-term interest-bearing debt, net	297,584	(53,870)
Proceeds from interest-bearing debt	3,443,973	2,677,648
Repayment of interest-bearing debt	(3,694,465)	(2,570,681)
Repayment of lease liabilities	(115,010)	(96,899)
Distribution/repayment from SVF to third-party investors	(239,971)	(844,944)
Proceeds from the partial sales of shares of subsidiaries to non-controlling interests	745,082	-
Redemption of other equity instruments	(277,760)	-
Distribution to owners of other equity instruments	(16,708)	(9,475)
Purchase of treasury stock	(2)	(153,790)
Cash dividends paid	(32,144)	(32,215)
Cash dividends paid to non-controlling interests	(144,092)	(237,272)
Other	20,846	(19,948)
Net cash used in financing activities	(12,667)	(1,341,446)
Effect of exchange rate changes on cash and cash equivalents	473,936	(80,100)
Increase in cash and cash equivalents relating to transfer of assets classified as held for sale	-	33,011
Decrease in cash and cash equivalents	(217,340)	(1,710,574)



Cash and cash equivalents at the beginning of the period	[illegible]	[illegible]
Cash and cash equivalents at the end of the period	6,707,813	4,476,300

If you put on top of this the fact that ~46% of SoftBank's interest-bearing debt is due in less than one year, it is clear how Masa Son is walking on a very thin line.



6. Interest-bearing debt

(1) Components of interest-bearing debt

The components of interest-bearing debt are as follows:

(Millions of yen)

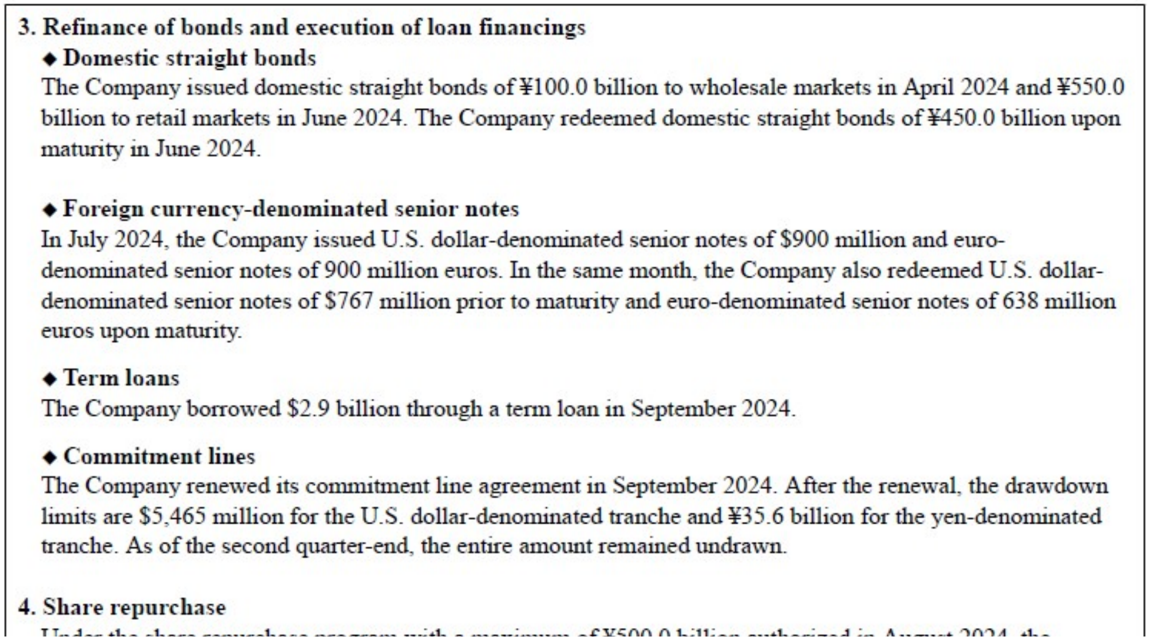
	As of March 31, 2024	As of September 30, 2024
Current		
Short-term borrowings	1,100,158	1,090,749
Commercial paper	363,501	350,000
Current portion of long-term borrowings	1,787,792	2,780,940
Current portion of corporate bonds	824,791	1,124,160
Current portion of financial liabilities relating to sale of shares by prepaid forward contracts *1,2	4,194,733	3,589,758
Current portion of installment payables	168	165
Total	8,271,143	8,935,772
Non-current		
Long-term borrowings	4,698,657	3,928,227
Corporate bonds	6,619,839	6,573,952
Financial liabilities relating to sale of shares by prepaid forward contracts *2	977,778	-
Installment payables	107	45
Total	12,296,381	10,502,224

Notes:

1. For the six-month period ended September 30, 2024, prepaid forward contracts using T-Mobile shares matured and were settled by cash and "Current portion of financial liabilities relating to sale of shares by prepaid forward contracts" decreased by ¥432,165 million.

2. These are primarily financial liabilities relating to sale of shares by prepaid forward contracts using Alibaba shares. The details are described in "(2) Transactions for sale of Alibaba shares by prepaid forward contracts."

You might ask yourself how SoftBank has managed to stay in business so far. The answer is, that they are simply doing what zombie companies do best: issue more debt to repay the expiring one plus its interest. What happens when there is not enough demand in the market to issue bonds to the public? No problem, banks step up because they cannot take the chance of SoftBank defaulting on the loans already granted to them. As you can read from the table below, SoftBank managed to borrow 2.9 billion USD from banks in the last quarter, and on top of that, banks renewed their "commitments" (that is an off-balance sheet risk exposure so it does not show up in their financial statements) to lend SoftBank up to 5.5 billion USD in one tranche and up to 35.6 billion $JPY (~230m USD) in a second tranche.



3. Refinance of bonds and execution of loan financings

◆ **Domestic straight bonds**

The Company issued domestic straight bonds of ¥100.0 billion to wholesale markets in April 2024 and ¥550.0 billion to retail markets in June 2024. The Company redeemed domestic straight bonds of ¥450.0 billion upon maturity in June 2024.

◆ **Foreign currency-denominated senior notes**

In July 2024, the Company issued U.S. dollar-denominated senior notes of $900 million and euro-denominated senior notes of 900 million euros. In the same month, the Company also redeemed U.S. dollar-denominated senior notes of $767 million prior to maturity and euro-denominated senior notes of 638 million euros upon maturity.

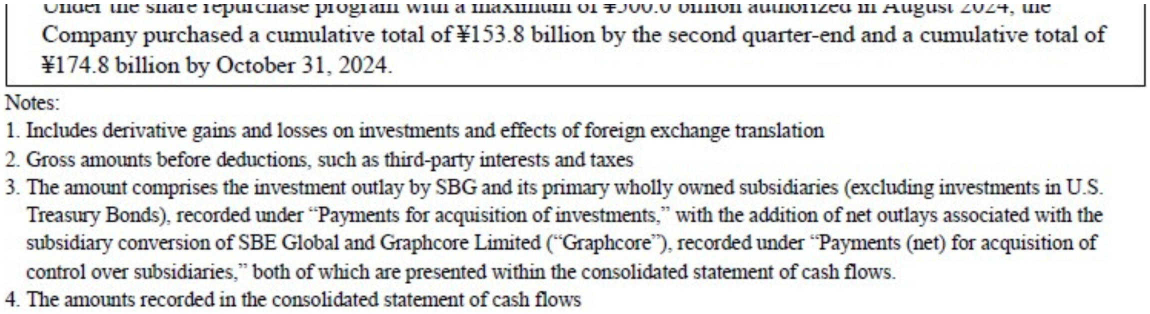
◆ **Term loans**

The Company borrowed $2.9 billion through a term loan in September 2024.

◆ **Commitment lines**

The Company renewed its commitment line agreement in September 2024. After the renewal, the drawdown limits are $5,465 million for the U.S. dollar-denominated tranche and ¥35.6 billion for the yen-denominated tranche. As of the second quarter-end, the entire amount remained undrawn.

4. Share repurchase



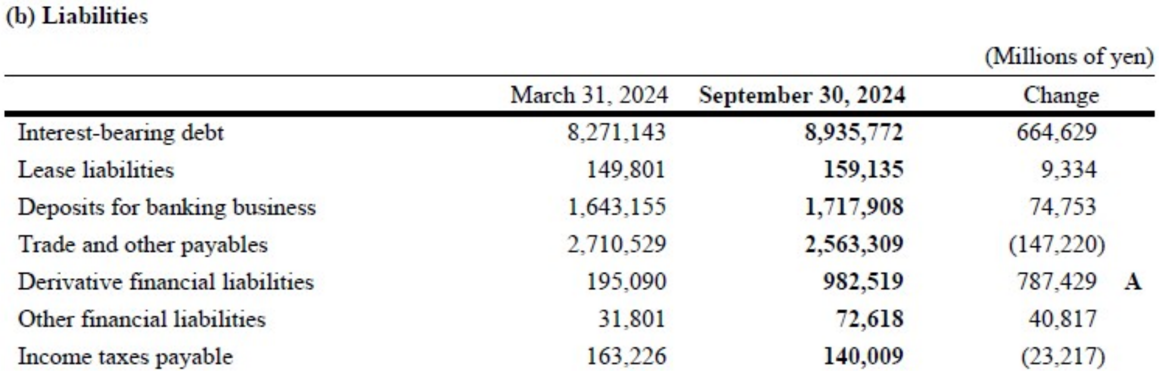
Under the share repurchase program with a maximum of ¥500.0 billion authorized in August 2024, the Company purchased a cumulative total of ¥153.8 billion by the second quarter-end and a cumulative total of ¥174.8 billion by October 31, 2024.

Notes:

1. Includes derivative gains and losses on investments and effects of foreign exchange translation
2. Gross amounts before deductions, such as third-party interests and taxes
3. The amount comprises the investment outlay by SBG and its primary wholly owned subsidiaries (excluding investments in U.S. Treasury Bonds), recorded under "Payments for acquisition of investments," with the addition of net outlays associated with the subsidiary conversion of SBE Global and Graphcore Limited ("Graphcore"), recorded under "Payments (net) for acquisition of control over subsidiaries," both of which are presented within the consolidated statement of cash flows.
4. The amounts recorded in the consolidated statement of cash flows

Hold on a second, how is it possible that a company that claims to have almost 30 billion USD in "cash and equivalents" needs to borrow 2.9 billion USD more from banks?

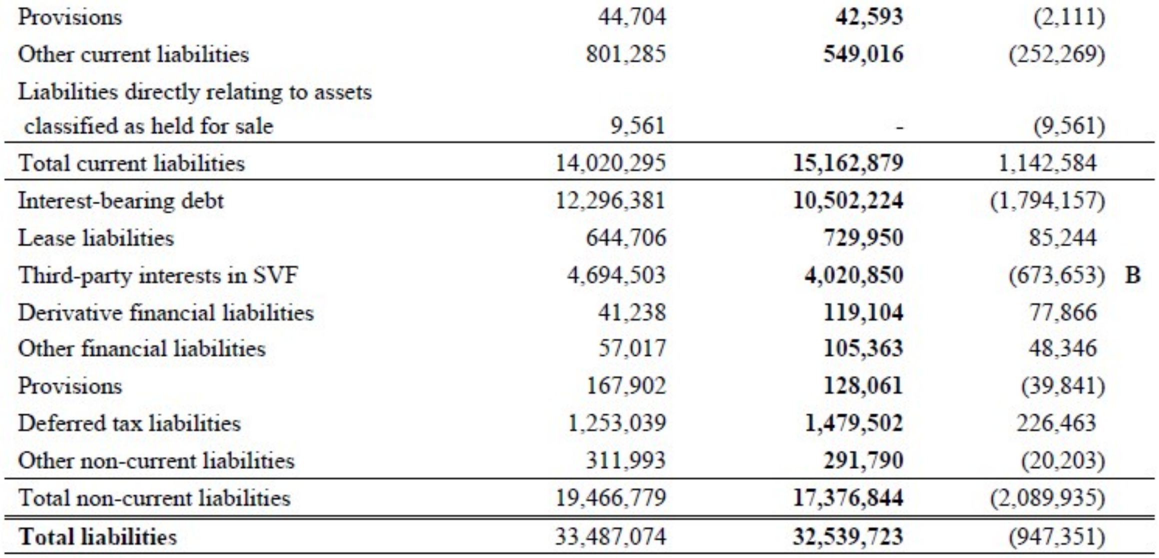
- First of all, even if SoftBank group isn't a "bank" it actually does some banking business and collects deposits. As of the last quarter, SoftBank had about 11 billion USD equivalent of customer deposits.
- Secondly, SoftBank has a total of about 23 billion USD between Trade Payables and Derivative short-term liabilities
- Lastly, SoftBank has about 58.5 billion USD of debt maturing within a year.



(b) Liabilities

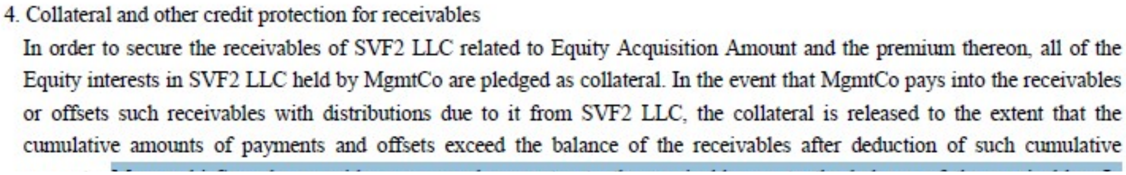
(Millions of yen)

	March 31, 2024	**September 30, 2024**	Change	
Interest-bearing debt	8,271,143	**8,935,772**	664,629	
Lease liabilities	149,801	**159,135**	9,334	
Deposits for banking business	1,643,155	**1,717,908**	74,753	
Trade and other payables	2,710,529	**2,563,309**	(147,220)	
Derivative financial liabilities	195,090	**982,519**	787,429	**A**
Other financial liabilities	31,801	**72,618**	40,817	
Income taxes payable	163,226	**140,009**	(23,217)	



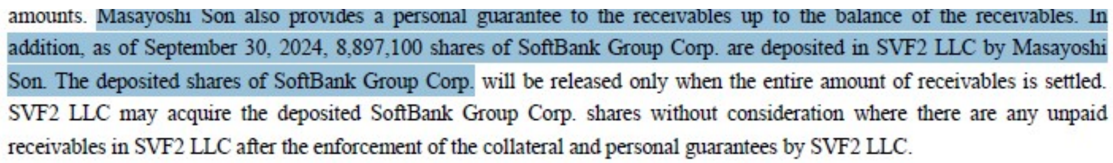
Provisions	44,704	**42,593**	(2,111)	
Other current liabilities	801,285	**549,016**	(252,269)	
Liabilities directly relating to assets classified as held for sale	9,561	**-**	(9,561)	
Total current liabilities	14,020,295	**15,162,879**	1,142,584	
Interest-bearing debt	12,296,381	**10,502,224**	(1,794,157)	
Lease liabilities	644,706	**729,950**	85,244	
Third-party interests in SVF	4,694,503	**4,020,850**	(673,653)	**B**
Derivative financial liabilities	41,238	**119,104**	77,866	
Other financial liabilities	57,017	**105,363**	48,346	
Provisions	167,902	**128,061**	(39,841)	
Deferred tax liabilities	1,253,039	**1,479,502**	226,463	
Other non-current liabilities	311,993	**291,790**	(20,203)	
Total non-current liabilities	19,466,779	**17,376,844**	(2,089,935)	
Total liabilities	33,487,074	**32,539,723**	(947,351)	

Hold on a second again, doesn't SoftBank have about 17.5 billion USD of "Trade Receivables"? Here is where things become funky, to say the least. Most of these "Trade Receivables" are money that SoftBank lent to Masayoshi Son to personally invest in the Vision Funds and guaranteed by… his SoftBank and Vision Fund shares! Clearly, SoftBank is in no position to enforce the payment of these receivables since Masayoshi Son will be personally liable and since he does not have all that cash to pay the money he borrowed from SoftBank then, paradoxically, SoftBank will be forced to sell its own shares in the open market to recoup that money.

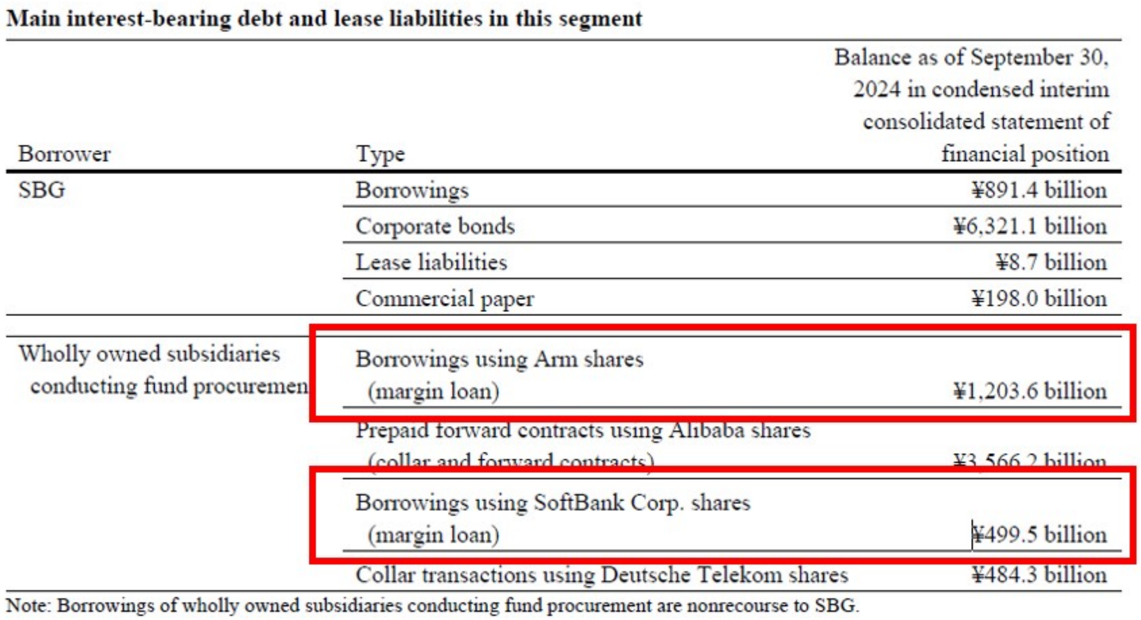


4. Collateral and other credit protection for receivables

In order to secure the receivables of SVF2 LLC related to Equity Acquisition Amount and the premium thereon, all of the Equity interests in SVF2 LLC held by MgmtCo are pledged as collateral. In the event that MgmtCo pays into the receivables or offsets such receivables with distributions due to it from SVF2 LLC, the collateral is released to the extent that the cumulative amounts of payments and offsets exceed the balance of the receivables after deduction of such cumulative


amounts. Masayoshi Son also provides a personal guarantee to the receivables up to the balance of the receivables. In addition, as of September 30, 2024, 8,897,100 shares of SoftBank Group Corp. are deposited in SVF2 LLC by Masayoshi Son. The deposited shares of SoftBank Group Corp. will be released only when the entire amount of receivables is settled. SVF2 LLC may acquire the deposited SoftBank Group Corp. shares without consideration where there are any unpaid receivables in SVF2 LLC after the enforcement of the collateral and personal guarantees by SVF2 LLC.

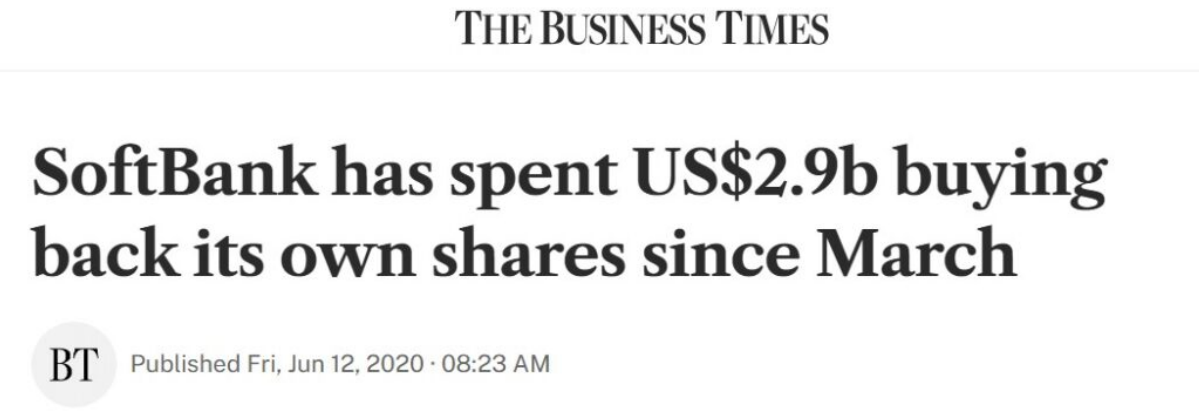
Now tell me, how the hell can SoftBank repay 58.5 billion USD of interest-bearing debt maturing within a year with a cash position, net of customer deposits, of 19 billion USD, and only 5.5 billion USD of additional commitments from banks? Selling ARM shares? Unfortunately, that's not possible since SoftBank already borrowed against those (fully pledged as collateral) and since they were not enough, it even already borrowed using SoftBank Corp (the subsidiary) shares as collateral.


Main interest-bearing debt and lease liabilities in this segment

Borrower	Type	Balance as of September 30, 2024 in condensed interim consolidated statement of financial position
SBG	Borrowings	¥891.4 billion
	Corporate bonds	¥6,321.1 billion
	Lease liabilities	¥8.7 billion
	Commercial paper	¥198.0 billion
Wholly owned subsidiaries conducting fund procuremen	Borrowings using Arm shares (margin loan)	¥1,203.6 billion
	Prepaid forward contracts using Alibaba shares (collar and forward contracts)	¥3,566.2 billion
	Borrowings using SoftBank Corp. shares (margin loan)	¥499.5 billion
	Collar transactions using Deutsche Telekom shares	¥484.3 billion

Note: Borrowings of wholly owned subsidiaries conducting fund procurement are nonrecourse to SBG.

I have a strong gut feeling SoftBank is holding such a huge pile of cash on the back of commitments signed with banks, the reason why it needed to borrow more to buy back its own shares and keep SoftBank group price inflated like it did in 2020 when they were already close to going bust



THE BUSINESS TIMES

SoftBank has spent US$2.9b buying back its own shares since March

Published Fri, Jun 12, 2020 · 08:23 AM

Perhaps it is clear why now NVIDIA is coming to SoftBank's rescue considering they are a very large NVIDIA shareholder and the controlling shareholder of ARM (a key partner to NVIDIA).

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Post navigation

TALES OF A ROARING KITTY AND A TREMBLING SOFTBANK

History never repeats, but it often rhymes. Yesterday was one of those very fascinating days in which you experience so many déjà vu moments.

A few hours before #Softbank's FY2023 results, a kitty started to roar again after more than 3 years of silence (@TheRoaringKitty), and vibes from 2021 started…

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WILL COREWEAVE MARK THE END OF INITIAL FRAUD OFFERINGS?

Recent years have been characterized by an unusual spike in the number of companies listed on the public stock market that ended up filing for Chapter 11 shortly after. Notable cases include WeWork, Lordstown Motors, ELMS, Bird Global, Proterra, and Nikola. While some companies were simply bad businesses, others like…

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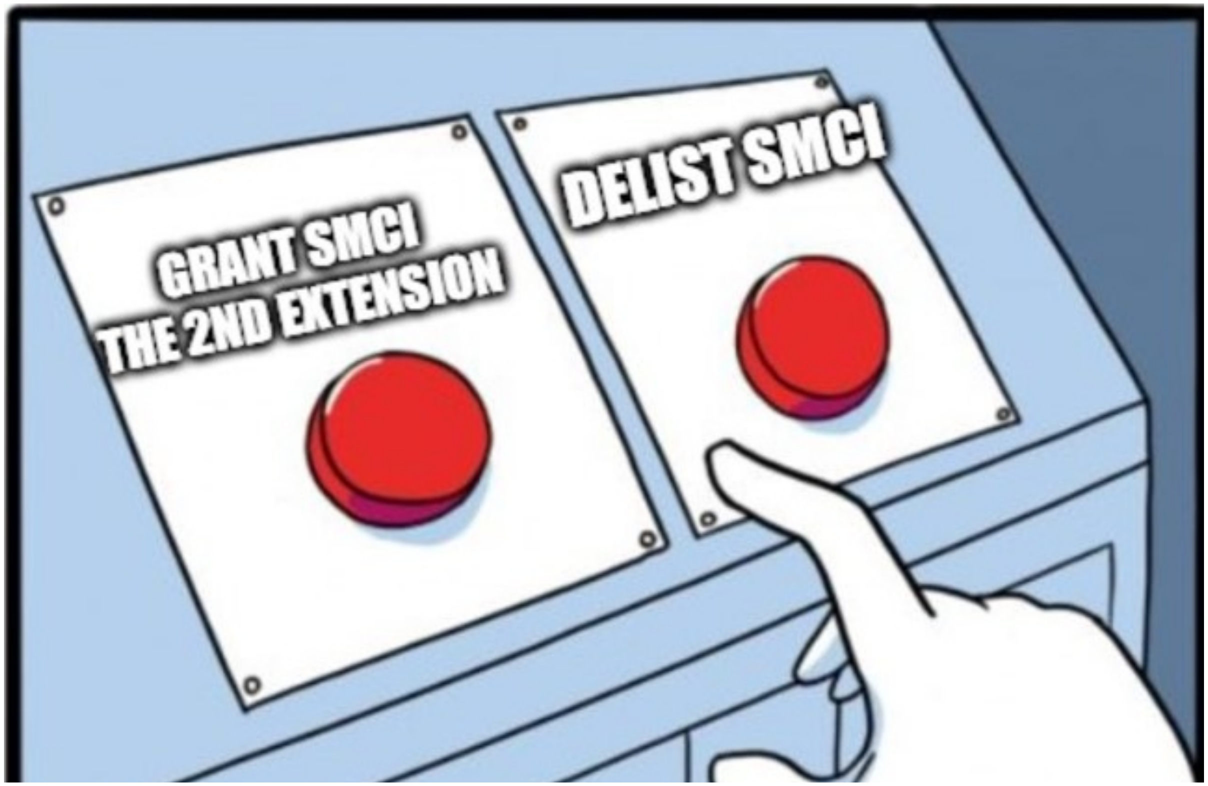
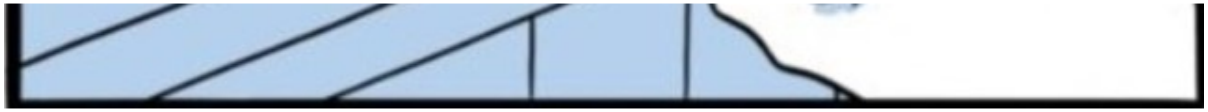
SUPER MICRO’S SECOND CHANCE OR NASDAQ’S NEXT SCANDAL?

Dario

5–7 minutes

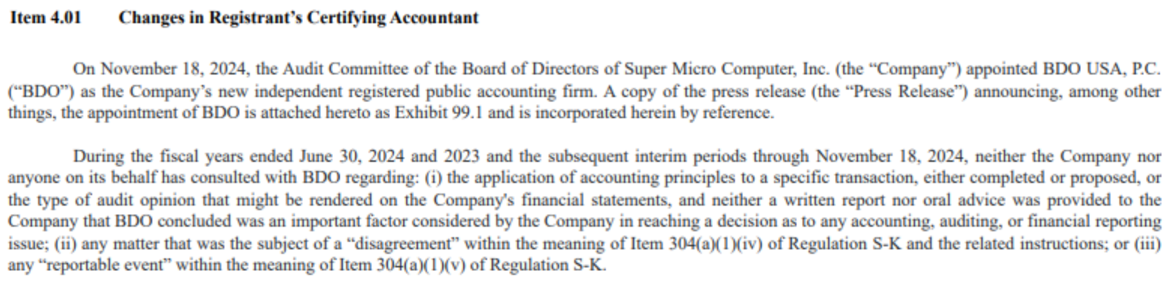

GRANT SMCI
THE 2ND EXTENSION
DELIST SMCI



Super Micro Computer, Inc. (SMCI) is under the Nasdaq microscope again, and it's not a pretty sight for the exchange. The company missed its 10-K filing deadline back in August and already filed an NT 10-Q form anticipating they won't be able to file its 10-Q on time either. Now SMCI is scrambling to stay listed having already burned through one Nasdaq extension that expired on November 18. To make things worse, Ernst & Young (EY), its previous auditor, walked away in October, stating flatly that they didn't want their name tied to SMCI's financial statements.

Back in 2018, SMCI was delisted for failing to file audited reports and later got a slap from the SEC for accounting fraud. Despite being relisted in 2020, old habits seem to die hard and the Nasdaq is now weighing whether to give SMCI another lifeline or pull the plug. What are the factors Nasdaq should consider and the risks at stake?

When a company doesn't file its financial reports, it's like showing up to a job interview with no résumé. SMCI not only missed filing its 10-K, but it also flagged delays for its 10-Q (quarterly report). These are critical documents for investors to assess a company's health. EY's resignation on October 29 was the cherry on top. The firm flatly said it didn't want to be associated with SMCI's numbers. That's a bold—and rare—move for a top-tier auditor. SMCI's quick switch to BDO as its new auditor is notable, but here's the kicker: BDO wasn't given any details about why EY left. SMCI says they're working to comply with Nasdaq rules, but this level of opacity raises eyebrows as you can read in this extract of the 8-K NOT INCLUDED in the Press Release.



Item 4.01 Changes in Registrant's Certifying Accountant

On November 18, 2024, the Audit Committee of the Board of Directors of Super Micro Computer, Inc. (the "Company") appointed BDO USA, P.C. ("BDO") as the Company's new independent registered public accounting firm. A copy of the press release (the "Press Release") announcing, among other things, the appointment of BDO is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

During the fiscal years ended June 30, 2024 and 2023 and the subsequent interim periods through November 18, 2024, neither the Company nor anyone on its behalf has consulted with BDO regarding: (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to the Company that BDO concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue; (ii) any matter that was the subject of a "disagreement" within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions; or (iii) any "reportable event" within the meaning of Item 304(a)(1)(v) of Regulation S-K.

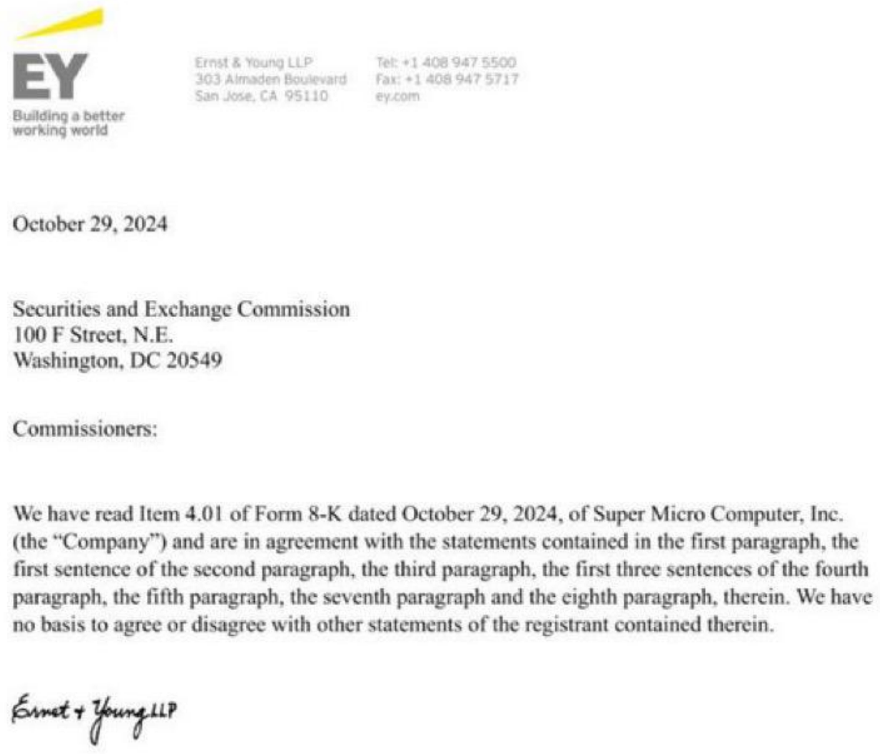
What is Nasdaq expected to consider?

1 – Consider the Company's Track Record

Notably, this isn't SMCI's first rodeo. The company was delisted in 2018 for similar issues and was hit with SEC sanctions for fraud. Nasdaq relisted SMCI in 2020, but now the same problems are cropping up. Fool me once? Maybe. Fool me twice? This would look pretty bad on the exchange.

2 – Examine the EY cause for abrupt resignation

Auditors don't just quit like this unless there's serious cause for concern. EY's refusal to back SMCI's financials is a massive red flag. Even worse, SMCI hasn't been transparent about why EY bailed to the point that EY wrote a letter to the SEC to even specify which parts of the SMCI press release they were in agreement with. It will be impossible for the exchange to turn a blind eye to this element.



EY
Building a better
working world

Ernst & Young LLP
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San Jose, CA 95110

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Fax: +1 408 947 5717
ey.com

October 29, 2024

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We have read Item 4.01 of Form 8-K dated October 29, 2024, of Super Micro Computer, Inc. (the "Company") and are in agreement with the statements contained in the first paragraph, the first sentence of the second paragraph, the third paragraph, the first three sentences of the fourth paragraph, the fifth paragraph, the seventh paragraph and the eighth paragraph, therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Ernst + Young LLP

3 – Assess Allegations of Mismanagement

All these public allegations supported by sources are summarized in my previous articles below:

- SMCI – THE NUCLEAR NOTHING BURGER THAT CAN EXPOSE NVIDIA SHENANIGANS [PART 2]
- SMCI – THE NUCLEAR NOTHING BURGER THAT CAN EXPOSE NVIDIA SHENANIGANS
- “HYPERSCALERS” OR “HYPERCHEATERS”? – ADDING HINDENBURG PIECE TO THE BIG PONZI PUZZLE WE HAVE BEEN PUTTING TOGETHER TILL NOW WHILE WAITING FOR NVIDIA EARNINGS

What are the risks for the Nasdaq exchange if they grant another extension to SMCI under the current circumstances?

1 – Reputation Damage

Nasdaq prides itself on being the gold standard of stock exchanges right? Listing a company with unresolved financial scandals tarnishes that image. Remember the Luckin Coffee Scandal or the most recent SunPower Corporation one? Nasdaq delisted them in 2020 after they admitted to fabricating sales data. If SMCI ends up pulling a similar stunt, Nasdaq’s credibility will take another serious hit.

2 – Loss of Investor Trust And Risk Of Losing Business To Competing Exchanges

Investors rely on Nasdaq to enforce strict compliance. If Nasdaq looks like it’s giving SMCI a free pass, confidence in other Nasdaq-listed companies could waver. And with SMCI operating in the high-stakes AI sector, even a whiff of impropriety could scare off tech investors.

3 – Legal and Financial Fallout

If SMCI’s issues morph into a full-blown fraud scandal, Nasdaq could face an investor lawsuit. The SEC and DOJ might also turn their spotlights on Nasdaq for failing to enforce its rules.

A notable example of investors suing a stock exchange for damages is the lawsuit following the listing and subsequent failure of Luckin Coffee on the Nasdaq. Investors argued that Nasdaq failed in its due diligence and oversight responsibilities by allowing the company to remain listed despite red flags. This case highlighted potential liability for exchanges when due diligence is inadequate, or compliance violations are overlooked (The Luckin Coffee Inc. Securities Fraud Class Action Litigation)

Nasdaq’s incoming decision on SMCI is about more than one company—it’s about setting the tone for corporate governance across its exchange. SMCI’s story is riddled with red flags, from its troubled history to EY’s dramatic exit and ongoing allegations of financial mismanagement.

Giving SMCI more time allowing a repeat offender to stay listed objectively far outweighs the potential benefits for the exchange while delisting SMCI would send a strong message: Nasdaq prioritizes integrity over convenience, protecting both investors and the exchange’s reputation in the long run.

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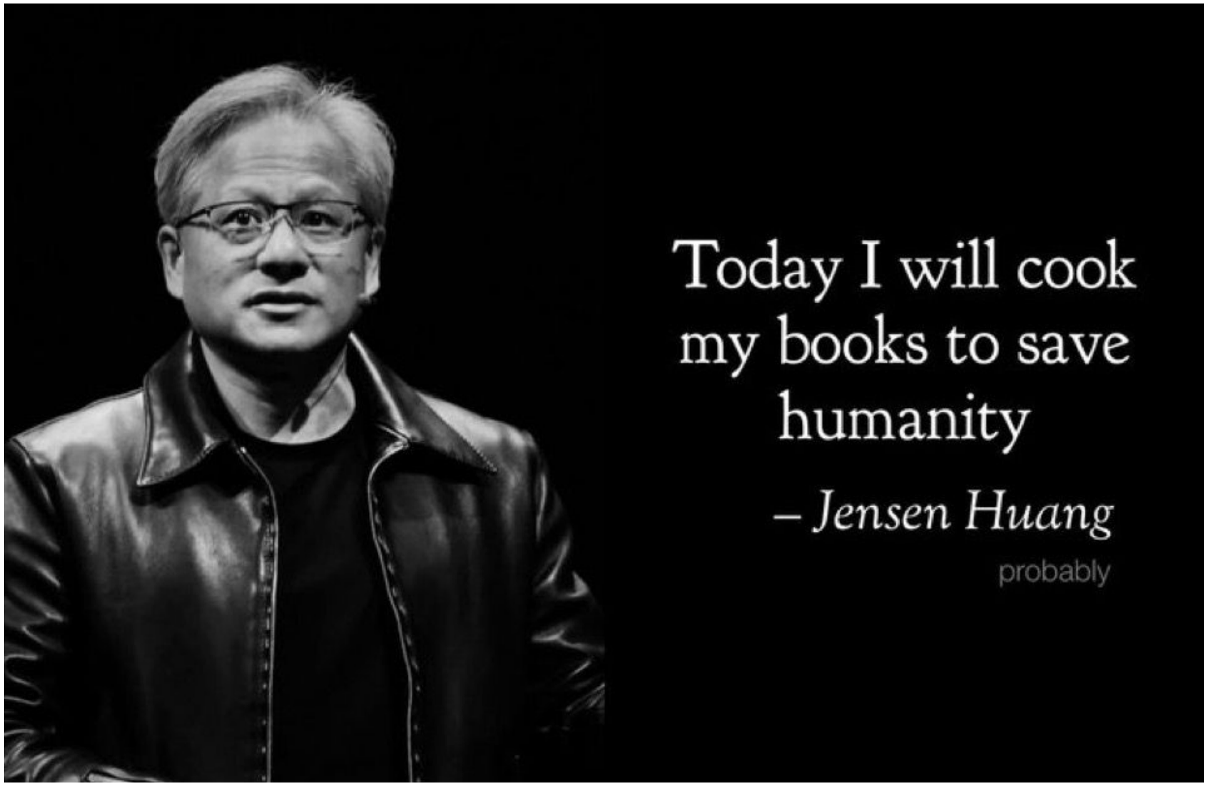
A DEEP DIVE BEYOND NVIDIA (COOKED) NUMBERS

Dario

8–10 minutes


Today I will cook my books to save humanity
– Jensen Huang
probably

Currently, Nvidia is the company with the highest market capitalization in the world. Sorry, I won't call it "the most valuable" because price and value are two different things, and it would be an intellectual insult to refer to it as such.

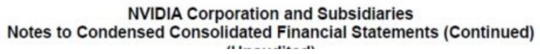
There are pros and cons to becoming such a big name. On one side, it can attract a lot of support, but on the other side, it can also attract a lot of scrutiny. When I started bringing the spotlight on Nvidia more than one year ago (full archive), only myself and a bunch of "Twitter Randos" (as they called us at that time: Wall Street analyst defends Nvidia from 'Twitter randos' spreading bearish conspiracy theory) dared to raise questions on Nvidia numbers and mind-blowing management projections for the future. One year later, the "Twitter Randos" are not alone anymore, and so many social media accounts have come forward raising more than legitimate questions about Nvidia's business and numbers, highlighting all the incongruences and dark sides no one cared about so much before. As a consequence, as a form of respect, I am not going to bring up anything that is already available on social media and claim any credit for that since those who did the work faster than I deserve it. What I am going to do in this article is step up the analysis of Nvidia financials one notch, but I promise I will do my best to keep it simple to understand. Please bear in mind several of the tables I am going to share are a comparison between the latest and the previous 10-Q where the red lines and text in red represent the amendments the company made in the new quarter.

🚩 Why does Nvidia hide the geography of a growing amount of its revenues?

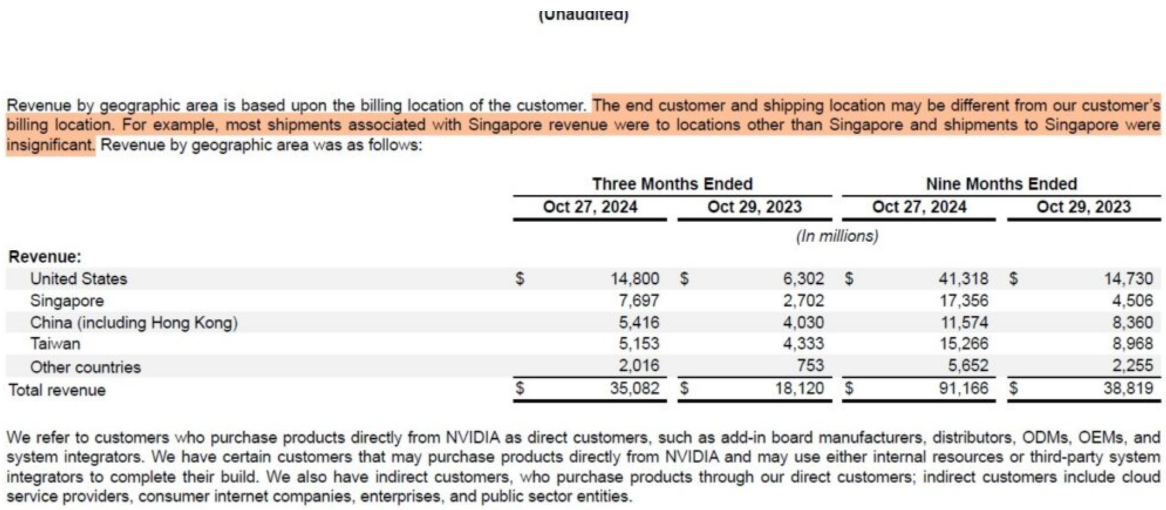
I already brought this up before, but since I did not see anyone still highlighting this matter, I will do it again. This is how Nvidia describes its revenues attached to Singapore:

“Most shipments associated with Singapore revenue were to locations other than Singapore and shipments to Singapore were insignificant”

So according to the company, almost 8 billion USD of revenues in the last quarter, 22% of the total and the largest chunk outside the US market, were sent to an undisclosed location. One year ago, this amount was ~2.7 billion USD and ~15% of the total. Isn’t it a fair question to ask where these revenues are really being generated from? Furthermore, if there is nothing wrong with the end destination, what’s the point of hiding the end location and being more transparent with the investors’ community? It doesn’t take an accounting genius to figure out there is something wrong going on here.



NVIDIA Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)



(Unaudited)

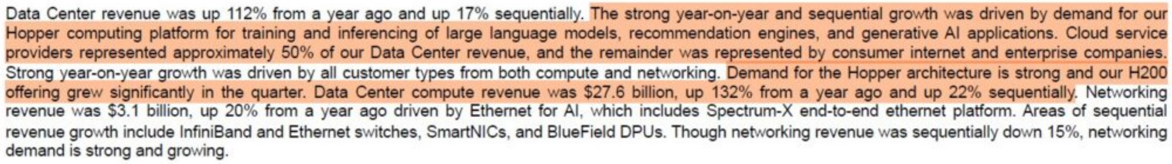
Revenue by geographic area is based upon the billing location of the customer. The end customer and shipping location may be different from our customer's billing location. For example, most shipments associated with Singapore revenue were to locations other than Singapore and shipments to Singapore were insignificant. Revenue by geographic area was as follows:

	Three Months Ended		Nine Months Ended	
	Oct 27, 2024	Oct 29, 2023	Oct 27, 2024	Oct 29, 2023
	(In millions)			
Revenue:				
United States	$ 14,800	$ 6,302	$ 41,318	$ 14,730
Singapore	7,697	2,702	17,356	4,506
China (including Hong Kong)	5,416	4,030	11,574	8,360
Taiwan	5,153	4,333	15,266	8,968
Other countries	2,016	753	5,652	2,255
Total revenue	$ 35,082	$ 18,120	$ 91,166	$ 38,819

We refer to customers who purchase products directly from NVIDIA as direct customers, such as add-in board manufacturers, distributors, ODMs, OEMs, and system integrators. We have certain customers that may purchase products directly from NVIDIA and may use either internal resources or third-party system integrators to complete their build. We also have indirect customers, who purchase products through our direct customers; indirect customers include cloud service providers, consumer internet companies, enterprises, and public sector entities.

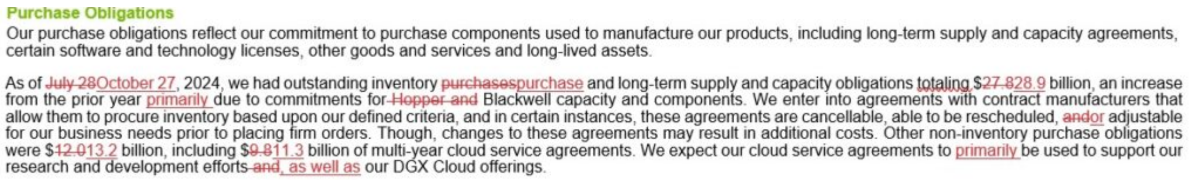
🚩 "Strong demand" for Hopper but no increase in future purchase obligations for Hopper?

As you can read in the paragraph below Nvidia claims "Demand for the Hopper architecture is strong and our H200 offering grew significantly in the quarter" and that Hopper (not BlackWell) has been the driver of Nvidia's spectacular growth so far.



Data Center revenue was up 112% from a year ago and up 17% sequentially. The strong year-on-year and sequential growth was driven by demand for our Hopper computing platform for training and inferencing of large language models, recommendation engines, and generative AI applications. Cloud service providers represented approximately 50% of our Data Center revenue, and the remainder was represented by consumer internet and enterprise companies. Strong year-on-year growth was driven by all customer types from both compute and networking. Demand for the Hopper architecture is strong and our H200 offering grew significantly in the quarter. Data Center compute revenue was $27.6 billion, up 132% from a year ago and up 22% sequentially. Networking revenue was $3.1 billion, up 20% from a year ago driven by Ethernet for AI, which includes Spectrum-X end-to-end ethernet platform. Areas of sequential revenue growth include InfiniBand and Ethernet switches, SmartNICs, and BlueField DPUs. Though networking revenue was sequentially down 15%, networking demand is strong and growing.

I wonder how it is possible that the company claims strong demand for Hopper but then its clients aren't placing purchasing orders for it. Strange, isn't it? As you can see from the table below, Nvidia even struck out the reference to "Hopper" in the purchase obligations section.



Purchase Obligations

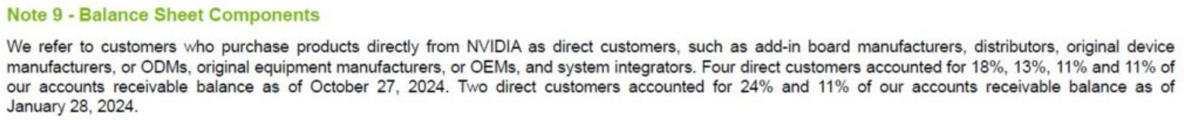
Our purchase obligations reflect our commitment to purchase components used to manufacture our products, including long-term supply and capacity agreements, certain software and technology licenses, other goods and services and long-lived assets.

As of ~~July 28~~October 27, 2024, we had outstanding inventory ~~purchases~~purchase and long-term supply and capacity obligations totaling $~~27.8~~28.9 billion, an increase from the prior year primarily due to commitments for ~~Hopper and~~ Blackwell capacity and components. We enter into agreements with contract manufacturers that allow them to procure inventory based upon our defined criteria, and in certain instances, these agreements are cancellable, able to be rescheduled, ~~and~~or adjustable for our business needs prior to placing firm orders. Though, changes to these agreements may result in additional costs. Other non-inventory purchase obligations were $~~12.0~~13.2 billion, including $~~9.8~~11.3 billion of multi-year cloud service agreements. We expect our cloud service agreements to primarily be used to support our research and development efforts ~~and~~, as well as our DGX Cloud offerings.

Does this have anything to do with the Mark To Market assumptions based on subjective management estimates to evaluate the value of Hopper inventories? Of course it does, but clearly, here we have a pretty big contradiction and I wonder if NVIDIA auditor PwC will close an eye on it.

🚩 Unusual Account Receivables concentration

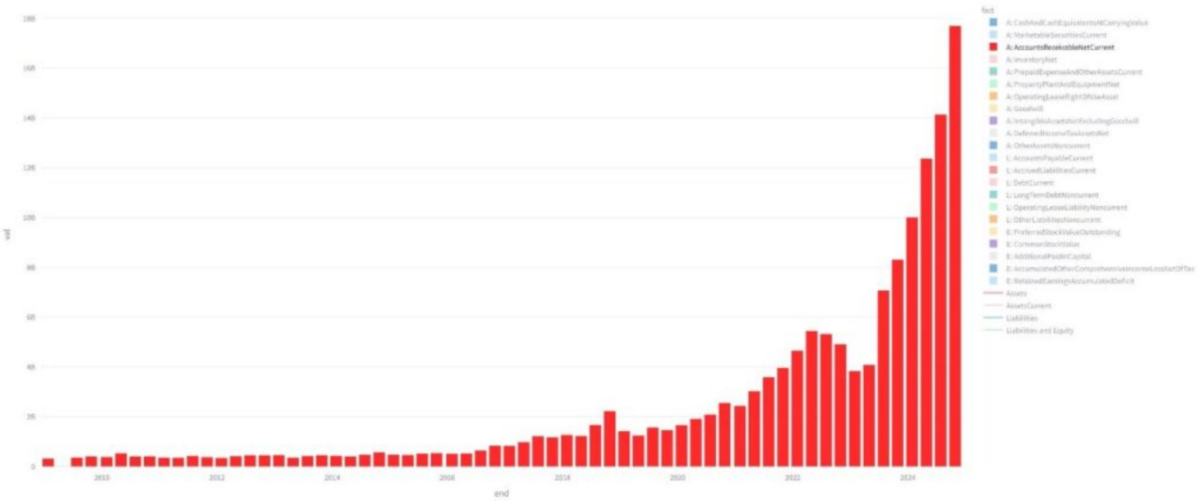
It is very well known now that the majority of NVIDIA revenues come from a handful of customers, notoriously Microsoft, META, and SMCI, however, what I did not see anyone highlighting is a similar concentration in Account Receivables too.



Note 9 - Balance Sheet Components

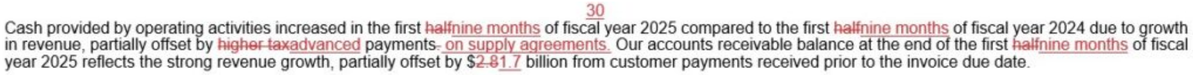
We refer to customers who purchase products directly from NVIDIA as direct customers, such as add-in board manufacturers, distributors, original device manufacturers, or ODMs, original equipment manufacturers, or OEMs, and system integrators. Four direct customers accounted for 18%, 13%, 11% and 11% of our accounts receivable balance as of October 27, 2024. Two direct customers accounted for 24% and 11% of our accounts receivable balance as of January 28, 2024.

53% of the account receivables are against four direct customers only (who knows about the "indirect" ones), and considering this amount keeps growing significantly (chart credit to @1CoastalJournal), it's very hard to push back that feeling these customers aren't paying the bills, but NVIDIA keeps delivering products to them, isn't it?



🚩 NVIDIA invoices paid in advance and booked as revenues in the current quarter

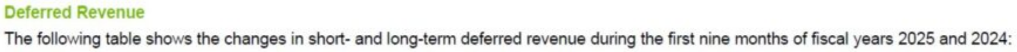
While there are clients piling up bills with Nvidia, there are also clients that are so eager to pay them even before an invoice is issued to them. Crazy, isn't it? Apparently not.



30

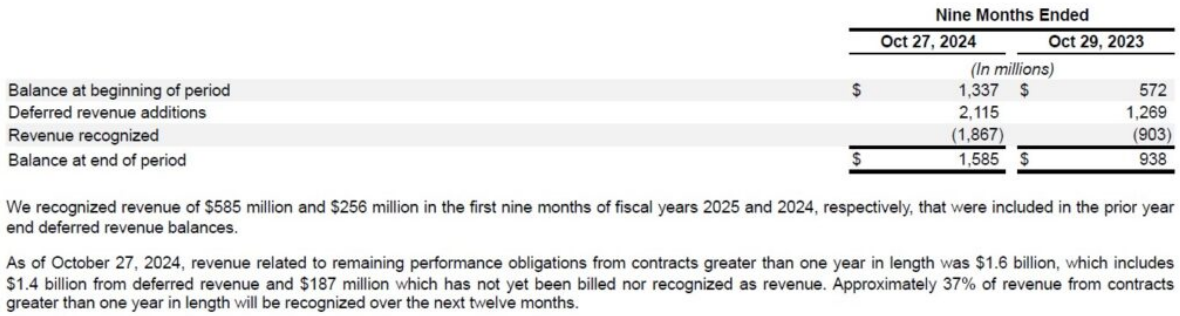
Cash provided by operating activities increased in the first ~~half~~nine months of fiscal year 2025 compared to the first ~~half~~nine months of fiscal year 2024 due to growth in revenue, partially offset by ~~higher tax~~advanced payments~~.~~ on supply agreements. Our accounts receivable balance at the end of the first ~~half~~nine months of fiscal year 2025 reflects the strong revenue growth, partially offset by $~~2.8~~1.7 billion from customer payments received prior to the invoice due date.

As you can see, it is something that happens every quarter. Hold on a second, by how much did Nvidia "beat" Wall Street revenues consensus this quarter? ~2bn$. How much is the amount of these advance payments booked as revenues in the current quarter? ~1.7bn$. Where is the rest of the "beat" coming from? From "Deferred Revenues" the company already disclosed LAST YEAR.



Deferred Revenue

The following table shows the changes in short- and long-term deferred revenue during the first nine months of fiscal years 2025 and 2024:



	Nine Months Ended	
	Oct 27, 2024	Oct 29, 2023
	(In millions)	
Balance at beginning of period	$ 1,337	$ 572
Deferred revenue additions	2,115	1,269
Revenue recognized	(1,867)	(903)
Balance at end of period	$ 1,585	$ 938

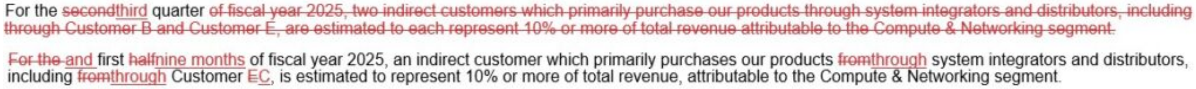
We recognized revenue of $585 million and $256 million in the first nine months of fiscal years 2025 and 2024, respectively, that were included in the prior year end deferred revenue balances.

As of October 27, 2024, revenue related to remaining performance obligations from contracts greater than one year in length was $1.6 billion, which includes $1.4 billion from deferred revenue and $187 million which has not yet been billed nor recognized as revenue. Approximately 37% of revenue from contracts greater than one year in length will be recognized over the next twelve months.

Dear reader, hopefully, you will agree with me that this revenue “beat” was totally fabricated (like the previous ones)

🚩 From two “indirect” customers to one

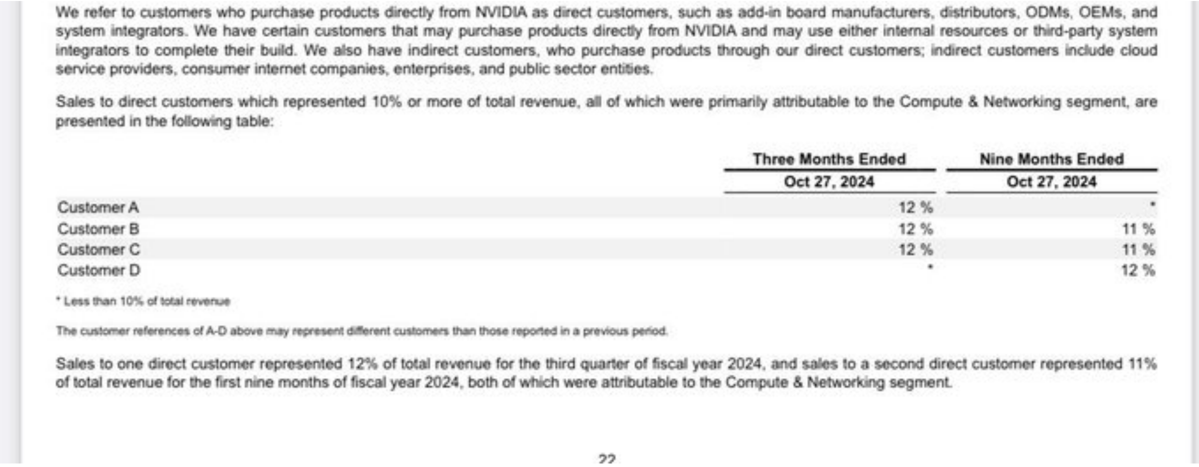
As you can read below, in the previous quarter Nvidia had two “indirect” customers that represented more than 10% of the revenues each. This was a red flag I highlighted already at that time and very unusual for such large customers not to deal directly with the company and prefer to go through a “middleman,” isn’t it? This quarter only one “indirect” customer is left and it is fair to wonder whether SMCI troubles had anything to do with it considering part of the company business was notoriously to play the middle man.



For the ~~second~~third quarter ~~of fiscal year 2025, two indirect customers which primarily purchase our products through system integrators and distributors, including through Customer B and Customer E, are estimated to each represent 10% or more of total revenue attributable to the Compute & Networking segment.~~

~~For the~~ and first ~~half~~nine months of fiscal year 2025, an indirect customer which primarily purchases our products ~~from~~through system integrators and distributors, including ~~from~~through Customer ~~E~~C, is estimated to represent 10% or more of total revenue, attributable to the Compute & Networking segment.

Furthermore, how did NVIDIA fill the void left open by the fallout with this “indirect customer”? Perhaps they started to deal with it directly considering a brand new “Customer A” filled the spot for the exact amount.



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Sales to direct customers which represented 10% or more of total revenue, all of which were primarily attributable to the Compute & Networking segment, are presented in the following table:

	Three Months Ended Oct 27, 2024	Nine Months Ended Oct 27, 2024
Customer A	12 %	*
Customer B	12 %	11 %
Customer C	12 %	11 %
Customer D	*	12 %

* Less than 10% of total revenue

The customer references of A-D above may represent different customers than those reported in a previous period.

Sales to one direct customer represented 12% of total revenue for the third quarter of fiscal year 2024, and sales to a second direct customer represented 11% of total revenue for the first nine months of fiscal year 2024, both of which were attributable to the Compute & Networking segment.

22

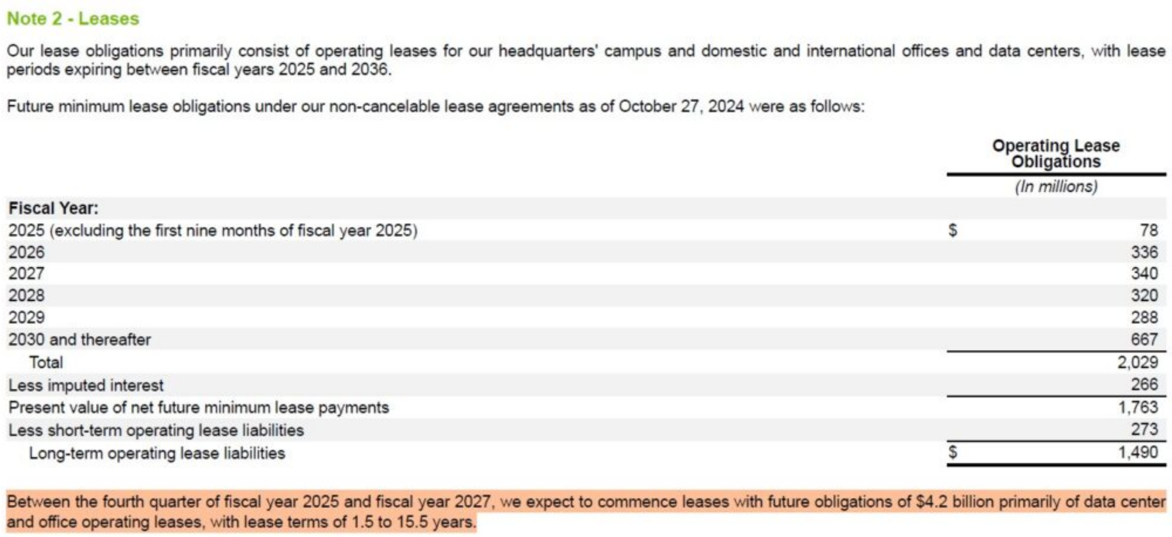
How can we assume "Customer A" is a new one? As you can see below there are two elements pointing at that:

- Customer A was not a significant direct customer before
- The company sneaked a very subtle disclaimer with a smaller font under the table: "The customer references of A-D above may represent different customers from those represented in previous periods"

The fair question here is: why wasn't NVIDIA directly dealing with this customer before to begin with? It looks like another big red flag to me.

🚩 **Are future lease costs kept off-balance sheet to boost the Net Income**?

As you can easily observe in the table below, NVIDIA reported a net total of ~1.5 billion USD of future lease obligations, however as you can read in the highlighted part, they instead disclose their future lease obligations until 2030 are 4.2 billion USD. Somehow 2.7 billion USD of future lease liabilities disappeared from NVIDIA's balance sheet and no one noticed. What happens when a lower number of liabilities is being reported? The equity portion increases to compensate. By how much did NVIDIA Net Income increase compared to the previous quarter? Coincidentally 2.7 billion USD, crazy isn't it?



Note 2 - Leases

Our lease obligations primarily consist of operating leases for our headquarters' campus and domestic and international offices and data centers, with lease periods expiring between fiscal years 2025 and 2036.

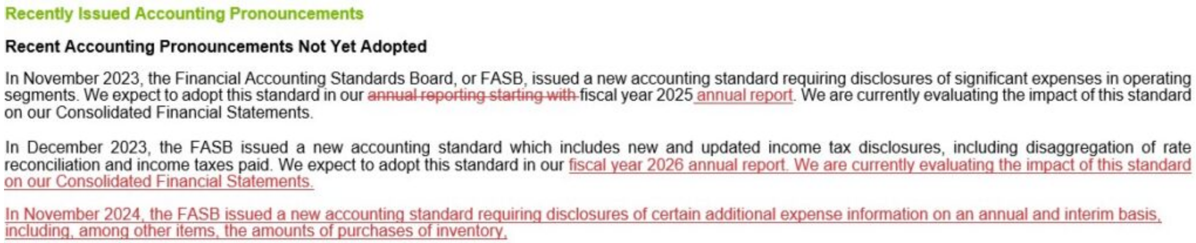
Future minimum lease obligations under our non-cancelable lease agreements as of October 27, 2024 were as follows:

	Operating Lease Obligations (In millions)
Fiscal Year:	
2025 (excluding the first nine months of fiscal year 2025)	$ 78
2026	336
2027	340
2028	320
2029	288
2030 and thereafter	667
Total	2,029
Less imputed interest	266
Present value of net future minimum lease payments	1,763
Less short-term operating lease liabilities	273
Long-term operating lease liabilities	$ 1,490

Between the fourth quarter of fiscal year 2025 and fiscal year 2027, we expect to commence leases with future obligations of $4.2 billion primarily of data center and office operating leases, with lease terms of 1.5 to 15.5 years.

🚩 Are higher operating costs expected next quarter due to Nvidia waiting more than one year to apply the new accounting standards?

I believe the language below is quite self-explanatory, isn't it? As you can read, Nvidia delayed the disclosure of significant expenses in its operating segments for more than one year since the new FASB rule was in place. Furthermore, this month a new FASB rule has been issued to increase company disclosures about additional expenses, in particular with regards to inventory purchases. No worries though, I do not expect NVIDIA to be so adamant about applying it right away starting from the next quarter that coincides with its annual report subject to audit.



Recently Issued Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board, or FASB, issued a new accounting standard requiring disclosures of significant expenses in operating segments. We expect to adopt this standard in our ~~annual reporting starting with~~ fiscal year 2025 annual report. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

In December 2023, the FASB issued a new accounting standard which includes new and updated income tax disclosures, including disaggregation of rate reconciliation and income taxes paid. We expect to adopt this standard in our fiscal year 2026 annual report. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

In November 2024, the FASB issued a new accounting standard requiring disclosures of certain additional expense information on an annual and interim basis, including, among other items, the amounts of purchases of inventory.

I believe it's more than enough today considering the amount of material I dropped. I wish you all a nice weekend.

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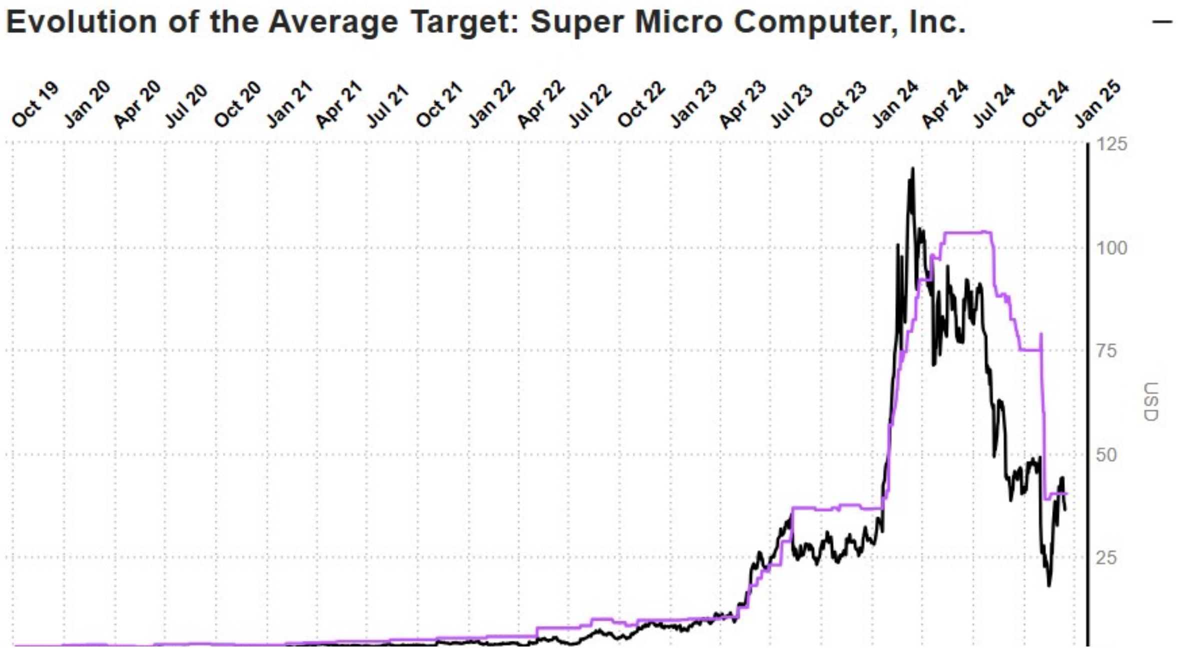
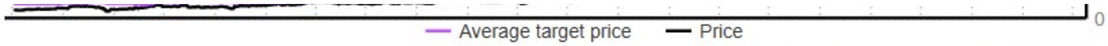
THE SMCI CANARY IN THE SEMICONDUCTOR SECTOR COAL MINE STOPPED SINGING MONTHS AGO

Dario

5–7 minutes

At the beginning of the year, something very interesting happened around SMCI that no one, including myself, paid attention to: despite the stock hitting an all-time high of $118.81 (post-split) on March 13th and falling hard to $75 in just a month, Wall Street analysts kept increasing their target prices on the company up to a ~$105 average consensus that stood in place until the end of August when the Hindenburg report appeared and, despite being initially dismissed, anticipated the company’s announcement of a delay in filing its audited financials that triggered the implosion of the stock.





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Why is this dynamic very interesting? Contrary to all other semiconductor companies, SMCI effectively started to buck the uber-bullish trend of the whole sector while being a key component of all the “AI Narrative” Wall Street embraced all along until very recently:

1. **Integration with AI and Data Center Infrastructure:**

- SMCI specializes in high-performance server technology, particularly servers optimized for AI and data center applications. SMCI’s solutions were often defined as “vital” in this space since no one else could provide the infrastructure where advanced semiconductor chips could run efficiently.

2. **Partnerships with Leading Chip Manufacturers:**

- SMCI never lost the chance to emphasize its strong relationships with major semiconductor companies like NVIDIA, AMD, and Intel. These partnerships allowed SMCI to integrate the latest and most advanced GPUs and CPUs into their server systems, leaving, in theory, competitors like DELL far behind.

3. **SMCI Meteoric Growth:**

- SMCI showed significant growth in the AI server market, and its revenue growth reflected the increasing reliance on its high-performance computing environments that use cutting-edge semiconductor components (as the narrative built around it claimed).

4. **SMCI Adaptability:**

- SMCI, unlike its competitors, not only could adapt incredibly quickly in incorporating new semiconductor technologies into its server infrastructure, but it claimed to be able to do so profitably, which somewhat clashed with an increase in expenses that never materialized like it did for the likes of DELL (Shares of Dell fall 18% as AI servers are sold at 'near-zero margins')

5. **Strategic Importance:**

- Data centers are deemed increasingly central to modern computing, and SMCI's servers have become the "must-have" for all those companies seeking to quickly scale up their infrastructure. However, no one ever noticed how SMCI claimed it could install and operationally make large server infrastructures in an unusually quick way compared to its peers.

With the benefit of hindsight, I believe we can agree that SMCI's story was too good to be true, right? This is why going back and observing what happened since the beginning of the year, it's becoming clear someone either figured this out and jumped ship while Wall Street was busy advising its clients to buy the stock, or they got hold of inside information that was diametrically different from the public image the company so carefully crafted for itself.

Another thing no one noticed, but in this case I did, was how similar SMCI's questionable practices were to other heavyweight companies in the sector, especially NVIDIA: “HYPERSCALERS” OR “HYPERCHEATERS”? – ADDING HINDENBURG PIECE TO THE BIG PONZI PUZZLE WE HAVE BEEN PUTTING TOGETHER TILL NOW WHILE WAITING FOR NVIDIA EARNINGS

This week SMCI will be removed from the Nasdaq-100 only after it was officially included a few months ago, and as I highlighted during the weekend, it is more than reasonable to expect them to be kicked out of the S&P 500 soon too. Hilariously, the company was included in the Nasdaq-100 on July 22nd while it was added to the S&P 500 on March 18th.

Hold on a second – when did SMCI peak and start to inexorably decline without looking back? March 13th. When was the company added to the S&P 500, forcing an army of passive investors to buy the stock? March 18th. What a coincidence, right? It's also quite incredible that the stock never rejoined the constant bullish trend of the whole semiconductor sector. Again, with the benefit of hindsight, this becomes incredibly suspicious, as if this stock, which started to rise vertically cementing the whole AI Narrative, was instead being actively sold in the market despite everyone from the media to Wall Street recommending it as a no-brainer. Funny enough, the second leg down of the stock price started shortly after the inclusion in the Nasdaq-100 when another army of passive investors was forced to buy in.

What are the chances that the same gameplay was used with other companies in the sector while mainstream media was fed gasoline to throw on the FOMO fire? I will leave this question open, but it is clear that the SMCI canary stopped singing a long time ago, and considering how crucial this company was to the whole semiconductor ecosystem, I would not make the mistake of thinking its fall from grace will not impact all other high-flier names that never failed to stress their ties to SMCI throughout 2024.

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MICROSOFT CEO KNOWS HIS REVENUES ROUND-TRIPPING SCHEME IS FALLING APART AND IS PREPARING TO CONTAIN THE DAMAGES

Dario

4–5 minutes

Have you noticed how more and more people are distancing themselves from S(c)am Altman? Microsoft's CEO, who according to his own words "bet the farm on OpenAI", is the latest high-profile figure showing signs of frustration towards OpenAI's CEO, despite his best efforts to hide them. Who can blame him? He bought tens of billions of GPUs at massively inflated prices, believing OpenAI was a huge goldmine and that the only thing separating him from unlimited profits was having as many tools as possible to extract that gold from the ground as quickly as possible.

Things haven't turned out as Satya hoped. It's undeniable that ChatGPT and other OpenAI tools are falling increasingly behind competition. Not only has the competition filled the gap at an unprecedented speed, considering how early OpenAI started developing ChatGPT, but they've done it with far less GPUs and computing power than what Microsoft made available to OpenAI.

Consider this: just a few months ago, semiconductor supply was perceived to be so tight that many big players were still trying to outbid each other to get their hands on the newest and more powerful (at least in theory) NVIDIA GPUs. A few days ago, the biggest buyer in the market by far declared: “I am not chip supply constrained [anymore] ” (Microsoft’s CEO may have just said something very worrying about Nvidia). Hilariously, this is exactly what I warned about 2 months ago: GPUs OVERSUPPLY IS ALREADY HERE – HOW ASML’S MISTAKE EXPOSED NVIDIA’S CASTLE OF LIES.

Unfortunately for Satya, he can’t simply stop buying GPUs and pretend everything is fine. Why? This would inevitably crash NVIDIA GPU prices, ultimately impacting the value of tens of billions of USD in CAPEX recorded on Microsoft’s balance sheet. This would inevitably cascade into the value of all AI Startup investments, particularly OpenAI, purchased using billions of Azure credits that are represented by more than 50 billion of “Unearned Revenues” in Microsoft’s liabilities (UNTANGLING THE GREAT MICROSOFT ACCOUNTING – BORDERLINE FRAUDULENT – SHENANIGANS). However, Microsoft cannot continue throwing billions of dollars into equipment that, in another incredible revelation by Satya a few days ago, faces “Power supply constraints” (which makes me wonder how many GPUs were really plugged in and operational until now). Consequently, the first move has been to cut a considerable chunk of BlackWell orders: Production Hurdles for GB200 Spark Rumors of Microsoft Cutting Orders.

This is why I believe Microsoft’s CEO is starting to prepare the ground for inevitably disclosing billions of dollars in impairment losses in the future and containing, as much as possible, the damage the AI Servers business will do to the rest of Microsoft's operations and ultimately its incredibly inflated valuation.

What do you think will happen to Nvidia, which has already lost its third-largest customer (SMCI), once it becomes clear that it's going to lose its largest customer that alone accounted for almost 20% of all revenues and a considerable amount of future orders recorded by the company? People will start to wonder whether someone else can fill the massive hole, but at that point, they will realize that most of Nvidia's revenues and future demand for its GPUs were totally fabricated, as I have documented so many times.

What about Microsoft revenues' laundromat OpenAI? Here, I believe Microsoft will take possession of all the IP it has rights to and leave other investors with a very overpriced empty box once it becomes clear the company is losing all its users to stronger and superior competitors like Grok.

In this article, I touched upon many elements I have been investigating and writing about extensively for more than a year. If you have missed the previous articles and some elements are difficult to understand (or believe), here is the full archive.

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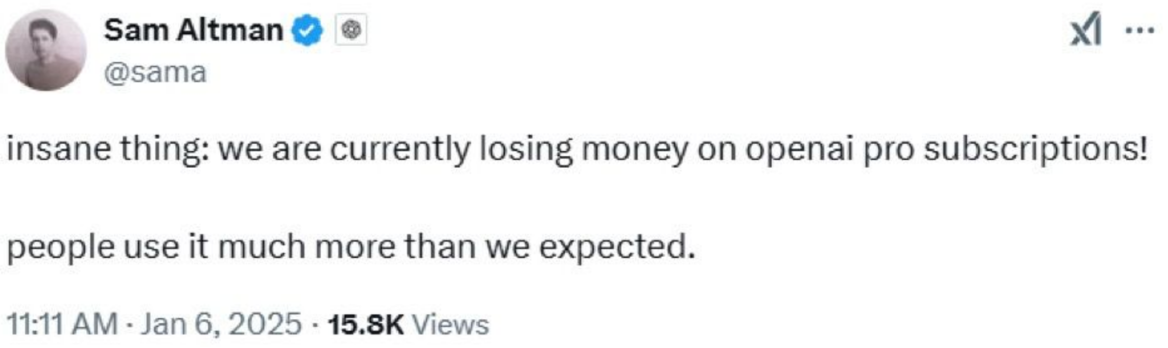
MICROSOFT BET THE FARM ON OPENAI, BUT IT LOST THE BET

Dario

3–4 minutes

Roughly 24 hours ago, OpenAI CEO Sam Altman first published a long blog post to celebrate 2 years since the launch of ChatGPT (Blog Post), then shortly after, this post appeared on X:



Sam Altman
@sama

insane thing: we are currently losing money on openai pro subscriptions!

people use it much more than we expected.

11:11 AM · Jan 6, 2025 · **15.8K** Views

This post is the incredible confirmation of what we observed two weeks ago in "MICROSOFT CEO KNOWS HIS REVENUES ROUND-TRIPPING SCHEME IS FALLING APART AND IS PREPARING TO CONTAIN THE DAMAGES". Yet, incredibly, many people are still turning a deaf ear to all the alarming bells sounding around OpenAI. There was also another thing we discussed at that time:

"Unfortunately for Satya, he can't simply stop buying GPUs and pretend

everything is fine. Why? This would inevitably crash NVIDIA GPU prices, ultimately impacting the value of tens of billions of USD in CAPEX recorded on Microsoft's balance sheet"

No one who read the article I published in December should have been surprised about this Microsoft announcement a few days ago: Microsoft expects to spend $80 billion on AI-enabled data centers in fiscal 2025

Basically, on one side, we have OpenAI running a totally unscalable business and burning cash at an incredible speed (OpenAI says it needs 'more capital than we'd imagined' as it lays out for-profit plan). On the other side, we have Microsoft pledging another truckload of resources (don't be fooled, most of them will be Azure credits, not real cash) to scale up the infrastructure to serve an unsustainable business model. How is it possible that pretty much nobody out there understands what's going on here? Isn't it obvious by now how Microsoft is running a biblical revenues fabrication scheme to keep its valuation at beautifully inflated levels (THE SMOKING GUN THAT PROVES HOW OPENAI IS MICROSOFT'S REVENUES LAUNDROMAT)?

Another thing that blows my mind is reading about those saying that OpenAI turning itself from a "no-profit" organization into a "Public Benefit Corporation" (not a joke) would have any impact on its unsustainable business model. Its model becomes more precarious every day due to fierce competitors like xAI, Google, or Meta, who are building equivalent, if not superior, products on much leaner infrastructure that definitely stands higher chances of turning a profit while scaling up (while OpenAI loses more money as more paying users subscribe to its products as per its own admission).

The only ones that stand to gain from OpenAI turning itself into a PBC are those investors, among which Microsoft is by far the biggest, who are desperate to bring OpenAI to IPO and cash out their investment before the whole scheme falls apart once the company inevitably runs out of cash – which has clearly nothing to do with "public benefit". This could happen soon, considering that a significant chunk of cash pledged in the last round is tied to the condition of OpenAI turning itself into a corporation: There's a catch in OpenAI's $6.6 billion funding deal.

Make no mistake, the end of this incredible saga is already written, and the consequences for all those companies and executives that participated in the scheme are going to make the ones faced by the likes of WorldCom, Global Crossing, and Enron look like children's play.

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THE COUNTDOWN TO NVIDIA PROFIT WARNING

Dario

5–6 minutes

A very important event occurred on May 6th, 2022, that many NVIDIA investors are unaware of: “SEC Charges NVIDIA Corporation with Inadequate Disclosures about Impact of Cryptomining“

Let’s examine what Nvidia did, shall we?

- *In two of its Forms 10-Q for its fiscal year 2018, NVIDIA reported material* *growth in revenue within its gaming business. NVIDIA had information, however, that this increase in gaming sales was driven in significant part by cryptomining.*

- *The SEC's order also finds that NVIDIA's omissions of material information about the growth of its gaming business were misleading given that NVIDIA did make statements about how other parts of the company's business were driven by demand for crypto, creating the impression that the company's gaming business was not significantly affected by cryptomining*

These words come directly from the SEC. As incredible as it sounds, Chief Kristina Littman stated: "NVIDIA's disclosure failures deprived investors of critical information to evaluate the company's business in a key market".

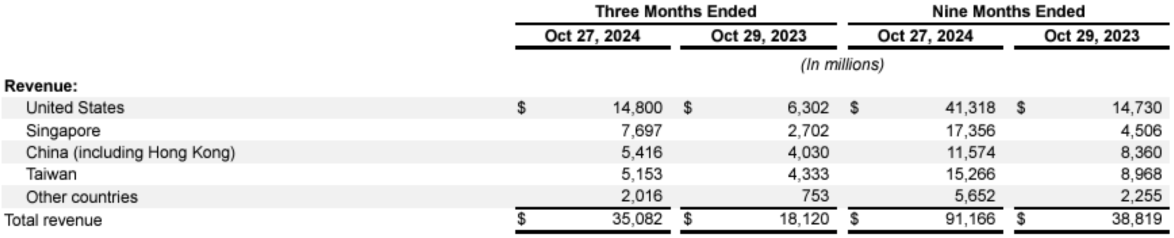
Nvidia received merely a slap on the wrist from the SEC as a penalty, while investors suffered billions in losses and sued the company. Nvidia failed to convince the Supreme Court to dismiss the case: US Supreme Court dismisses Nvidia's bid to avoid securities fraud suit.

Let's summarize the situation before moving to the next part of the article. On one side, NVIDIA violated Section 17(a)(2) and (3) of the Securities Act of 1933 and the disclosure provisions of the Securities Exchange Act of 1934. On the other side, the company faces a class action lawsuit for securities fraud.

Looking at recent developments, here are the key events affecting NVIDIA in the first weeks of 2025:

- Nvidia faces revenue threat from new U.S. AI chip export curbs
- Nvidia's Top Customers Face Delays From Glitchy AI Chip Racks

How significant is the threat from the first item alone? Let's examine NVIDIA's latest revenue disclosure by geography (where it's now undeniable these geographies were used to circumvent previous US restrictions)



	Three Months Ended		Nine Months Ended	
	Oct 27, 2024	Oct 29, 2023	Oct 27, 2024	Oct 29, 2023
	(In millions)			
Revenue:				
United States	$ 14,800	$ 6,302	$ 41,318	$ 14,730
Singapore	7,697	2,702	17,356	4,506
China (including Hong Kong)	5,416	4,030	11,574	8,360
Taiwan	5,153	4,333	15,266	8,968
Other countries	2,016	753	5,652	2,255
Total revenue	$ 35,082	$ 18,120	$ 91,166	$ 38,819

As evident, nearly 60% of NVIDIA's revenues from last quarter are now directly affected by the new US restrictions, with virtually all previously exploited loopholes now closed. At a minimum, the company should disclose what portion of these revenues will be impacted. However, given their past disclosure practices, they're likely to delay this information as long as possible. The impact must be substantial, otherwise the company wouldn't have issued such a forceful statement: NVIDIA Statement on the

Biden Administration’s Misguided ‘AI Diffusion’ Rule.

Moreover, the BlackWell issues are proving more complex than the company initially portrayed, with new information emerging regularly. Nomura Securities shared the following with its clients (source):

“Nomura Securities immediately issued a latest report naming Nvidia as a major cutter in TSMC due to the slowdown in demand for many products, and other CoWoS-S orders are as high as 80%, which is expected to cause TSMC’s revenue to decrease by 1% to 2%.

Nomura Semiconductor Industry Analyst Zheng Mingzong pointed out that the discontinuation of Nvidia’s Hopper platform chips, limited demand for the latest GB200A, and slow demand for GB300A are the reasons why Nvidia will significantly reduce its CoWoS-S bookings at TSMC and UMC in 2025. It is estimated that every year Reducing demand for 50,000 pieces of CoWoS-S will result in a 1% to 2% decrease in TSMC’s revenue”

Thus, Nvidia faces both a significant revenue cap and minimal chances of BlackWell entering mass production to meet this quarter’s delivery targets. Under current securities regulations, Nvidia must issue a profit warning unless it wants to risk another regulatory action – one that would be harder to weather than the 2018 incident, as it would constitute a repeat violation. This would also significantly weaken their position in the ongoing class action lawsuit regarding the 2018 events, adding more evidence of alleged misconduct.

This analysis doesn’t even consider the other issues we’ve previously discussed regarding questionable accounting practices by the company and its partners (archive).

In conclusion, with only two weeks remaining in Nvidia’s quarter, time is running out to avoid issuing a profit warning. This scenario becomes more likely with each passing day, and failure to act could trigger increased scrutiny of their accounting practices, potentially leading to more serious consequences as discrepancies in the numbers become harder to explain.

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THE REAL ERA OF AI BEGINS, THE ONE OF THE AI CHARLATANS ENDS

Dario

7–9 minutes

DeepSeek R1

This last week started with three clowns announcing a $500B "Stargate" project that they not only lacked funding for, but that structurally made no sense whatsoever. It ended with half of Silicon Valley in panic mode after suddenly waking up from their comfortable slumber to discover that their DeepSeek nightmare was actually a brutal reality.

Let me begin by explaining why the era of AI charlatans ends by looking at what DeepSeek needed to develop a superior model to the most recent OpenAI one:

- **Training Costs**: The official training of DeepSeek-V3 reportedly cost around $5.57 million to $6 million. This includes the use of approximately 2.78 million GPU hours on NVIDIA H800 GPUs, which took about two months on a 2048 GPU cluster.
- **Additional Research and Experimentation**: Beyond the final training run, there were costs associated with prior research, and ablation experiments on architectures, algorithms, and data. Estimates suggest these additional efforts could have cost between $10 to $15 million.
- **Team Costs**: The development team, which included 139 authors as noted in the technical paper, would have incurred considerable personnel

expenses. Annual team costs could exceed $15 million, depending on the duration of the project and salary scales.

- **Data and Model Distillation**: There were also costs related to using outputs from other models for training purposes. For instance, spending on OpenAI model inference for distillation was speculated to be around $5 million or more, although this is less certain due to the nature of the model's training data.

Now, let's look at what the major (hyper-inefficient) hyperscalers spent instead in 2024 ALONE to build massive "AI data centers" stuffed with GPUs that the whole world now knows will be completely unnecessary:

- **Amazon**:
- **2024**: Bought 196,000 GPUs.

- **Estimated Total Spending**: Given the lack of specific pricing, but knowing that high-end GPUs like the H100 cost around $30,000 to $40,000, Amazon's spending would be in the range of **billions of dollars**. However, exact figures are not detailed, but considering their purchase volume, let's estimate around **5-10 billion USD**.

- **Microsoft**:
- **2024**: Bought 485,000 GPUs.

- **Estimated Total Spending**: Microsoft's spending would be significantly higher due to the sheer number of GPUs. With the same pricing estimate, their spending could be around **15-20 billion USD**.

- **Google**:
- **2024**: Bought 169,000 GPUs.
- **Estimated Total Spending**: Google's expenditure would be in the billions, likely around **5-8 billion USD** based on the number of GPUs and assuming similar pricing.
- **Meta**:
- **2024**: Bought 224,000 GPUs.
- **Estimated Total Spending**: Meta's investment would also be in the range of **7-10 billion USD**.
- **Tencent**:
- **2024**: Bought approximately 230,000 GPUs.
- **Estimated Total Spending**: This would place Tencent's spending at around **7-9 billion USD**.
- **Baidu**:
- **2024**: Bought approximately 230,000 GPUs.
- **Estimated Total Spending**: Similar to Tencent, Baidu's investment would be around **7-9 billion USD**.

How much will these thousands of GPUs be worth once the whole world realizes only a tiny fraction of them will be used? A figure not far from zero.

Hold on a second, weren't these GPUs also used as collateral to borrow money to buy more GPUs by companies like CoreWeave? Yes, they were: insert article.

Imagine the huge financial hole about to blow open on this front too when these companies find themselves: IS MAGNETAR CAPITAL BLOWING AIR INTO THE NVIDIA (PONZI) SCHEME SO THEY CAN BET ON ITS IMPLOSION?

- With no revenues because their data center business (that so far only existed on papers full of unrealistic projections) will never begin operations
- Carrying billions in debt borrowed from Private Equity firms and Banks to buy thousands of overpriced GPUs posted as collateral now worth pennies on the dollar

Last but not least, how much will those tens of billions of USD investments made in startups, mostly spent to buy GPUs, be worth now that whatever they were developing can be effectively replicated in the blink of an eye, for a fraction of the cost and then made open source for everyone to use?

Summing it all up, we are looking at hundreds of billions of dollars in

CAPEX, and Goodwill has just gone puff. Yes, I know the hyperscalers never made money with their AI businesses even before DeepSeek surfaced, but at least they could pretend they would make it in the future. How will this impact their overblown valuations when the rest of their businesses haven't meaningfully grown above the level of inflation for several years? Assuming the P/E ratios go back to their long-term average, we are talking about a 50% loss of value, believe it or not.

Of course, the biggest loser among all will be Nvidia, which spared no effort for years to convince everyone they had "overwhelming" demand for their GPUs for many years to come – an effort both in terms of PR and in terms of inflating its revenues with the biggest revenue round-tripping scheme in history. I'm not going to spend more ink today on this matter since I'm excited to talk about what comes next; you can find an abundance of details in my archive here.

Alright, why then am I happy to say the real era of AI finally begins? This situation isn't very different from what happened more than 20 years ago when the DotCom bubble burst. Similar to today, at that time the biggest companies in the space built up a massive and eventually unnecessary infrastructure to build and run Internet businesses.

As a consequence, the vast amount of cheap computing power allowed very small companies to enter the space and build sustainable and scalable business models. Some of these companies later became the trillion-dollar titans we are so familiar with today: Amazon, Google, and Meta. However, twenty years later, the leaders in the space eventually ended up making the exact same mistakes that allowed them to become what they did, and now rest assured there will be more and more nimble and hungry companies like DeepSeek starting to pop up like mushrooms, thanks to the massive and unnecessary AI data center capacity built.

This will result in a race to the bottom in price cuts to ensure they attract companies willing to use it rather than leaving it idle (something that will compound the write-off losses in data center providers' financial statements). Overall, this is a great win for society, while the likes of Sam Altman, Masa Son, or Jensen Huang effectively tried to build a tight oligopoly from which they would have immensely profited at the expense of governments and their citizens, who would have instead been scammed out of hundreds of billions to invest in totally useless data centers and completely illogical AI projects from a business perspective. Thank God there will no longer be any credibility for the likes of Sam Altman running around trying to fundraise 7 TRILLION USD to splurge in building GPU data centers: Sam Altman Seeks Trillions of Dollars to Reshape Business of Chips and AI

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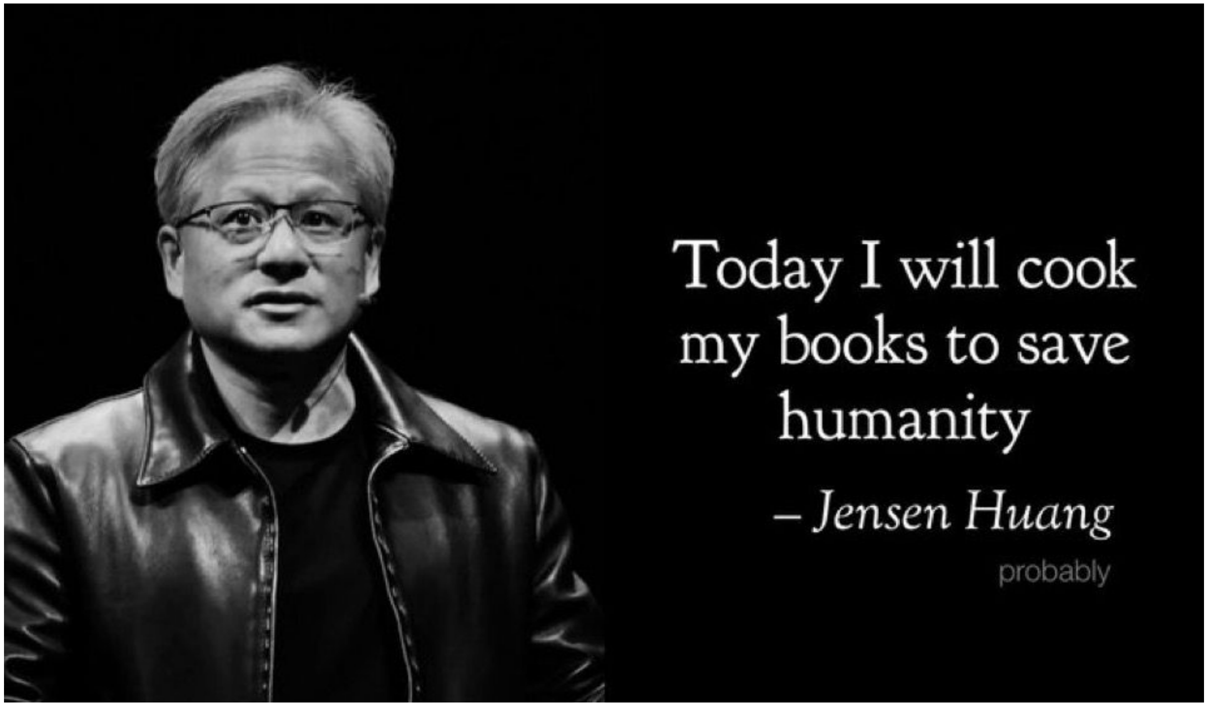
NVIDIA MANAGERS KNOW LAWSUITS ARE COMING AND ARE PREPARING TO DEFEND THEMSELVES

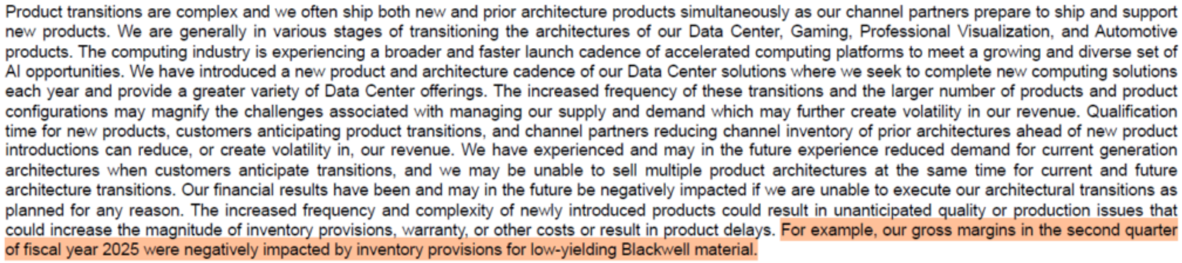
Dario

5–6 minutes


Today I will cook my books to save humanity
– Jensen Huang
probably

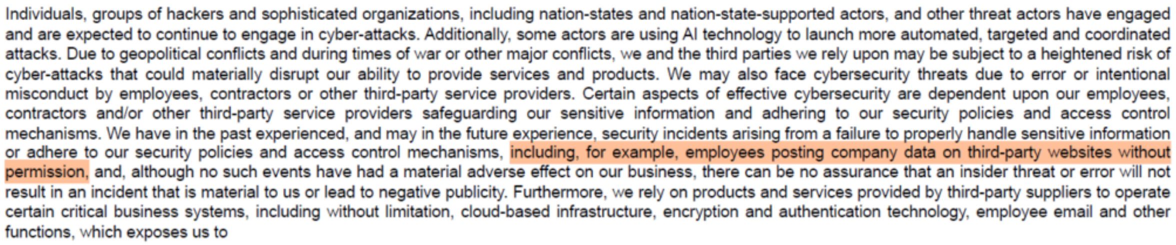
The latest Nvidia 10-K is not only remarkable for the outstanding results the company achieved in the last fiscal year, a good chunk of which are very questionable as we discussed so many times (archive), but is also remarkable for the significant amount of risk disclosures and legal disclaimers included compared to the past. Needless to say, this is a big red flag regarding the truthfulness of the financial statements themselves and a clear sign that management is aware they will have a lot to explain in court in the future.

Let's start with BlackWell, a product for which Nvidia repeatedly denied having significant production issues. If this was the case, then why does the company state with a 6-month delay that in the second quarter of 2025 its inventories were affected by the impact of BlackWell low-yielding material?



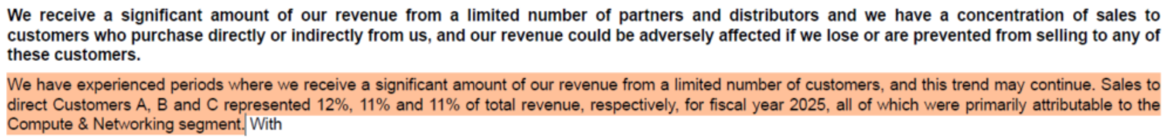
Product transitions are complex and we often ship both new and prior architecture products simultaneously as our channel partners prepare to ship and support new products. We are generally in various stages of transitioning the architectures of our Data Center, Gaming, Professional Visualization, and Automotive products. The computing industry is experiencing a broader and faster launch cadence of accelerated computing platforms to meet a growing and diverse set of AI opportunities. We have introduced a new product and architecture cadence of our Data Center solutions where we seek to complete new computing solutions each year and provide a greater variety of Data Center offerings. The increased frequency of these transitions and the larger number of products and product configurations may magnify the challenges associated with managing our supply and demand which may further create volatility in our revenue. Qualification time for new products, customers anticipating product transitions, and channel partners reducing channel inventory of prior architectures ahead of new product introductions can reduce, or create volatility in, our revenue. We have experienced and may in the future experience reduced demand for current generation architectures when customers anticipate transitions, and we may be unable to sell multiple product architectures at the same time for current and future architecture transitions. Our financial results have been and may in the future be negatively impacted if we are unable to execute our architectural transitions as planned for any reason. The increased frequency and complexity of newly introduced products could result in unanticipated quality or production issues that could increase the magnitude of inventory provisions, warranty, or other costs or result in product delays. For example, our gross margins in the second quarter of fiscal year 2025 were negatively impacted by inventory provisions for low-yielding Blackwell material.

The second rather incredible risk disclaimer that has just been included in the latest 10-K mentions the risk of negative publicity potentially arising from “employees posting company data on third-party websites without permission.” Why make such a statement if the company did not foresee any risk of potential whistleblowers leaking sensitive information about Nvidia’s business?



Individuals, groups of hackers and sophisticated organizations, including nation-states and nation-state-supported actors, and other threat actors have engaged and are expected to continue to engage in cyber-attacks. Additionally, some actors are using AI technology to launch more automated, targeted and coordinated attacks. Due to geopolitical conflicts and during times of war or other major conflicts, we and the third parties we rely upon may be subject to a heightened risk of cyber-attacks that could materially disrupt our ability to provide services and products. We may also face cybersecurity threats due to error or intentional misconduct by employees, contractors or other third-party service providers. Certain aspects of effective cybersecurity are dependent upon our employees, contractors and/or other third-party service providers safeguarding our sensitive information and adhering to our security policies and access control mechanisms. We have in the past experienced, and may in the future experience, security incidents arising from a failure to properly handle sensitive information or adhere to our security policies and access control mechanisms, including, for example, employees posting company data on third-party websites without permission, and, although no such events have had a material adverse effect on our business, there can be no assurance that an insider threat or error will not result in an incident that is material to us or lead to negative publicity. Furthermore, we rely on products and services provided by third-party suppliers to operate certain critical business systems, including without limitation, cloud-based infrastructure, encryption and authentication technology, employee email and other functions, which exposes us to

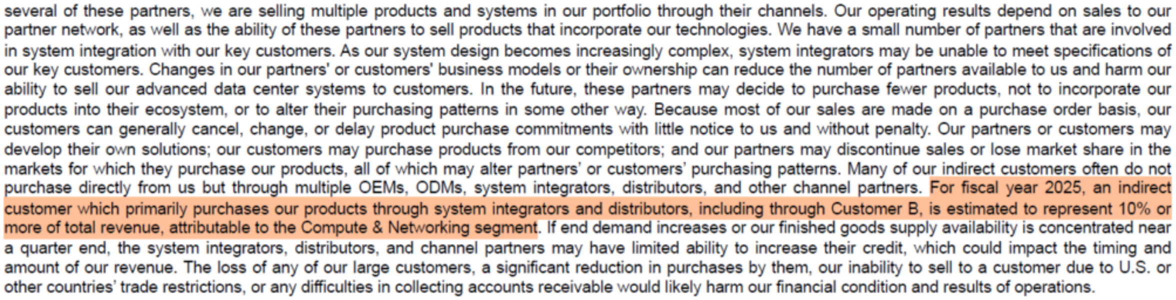
Unlike 2024 when Nvidia disclosed that only one “Customer A” represented 13% of Nvidia revenues, in 2025 three customers A, B, and C respectively represented 13%, 11%, and 11% of Nvidia revenues for a total of 34%.



We receive a significant amount of our revenue from a limited number of partners and distributors and we have a concentration of sales to customers who purchase directly or indirectly from us, and our revenue could be adversely affected if we lose or are prevented from selling to any of these customers.

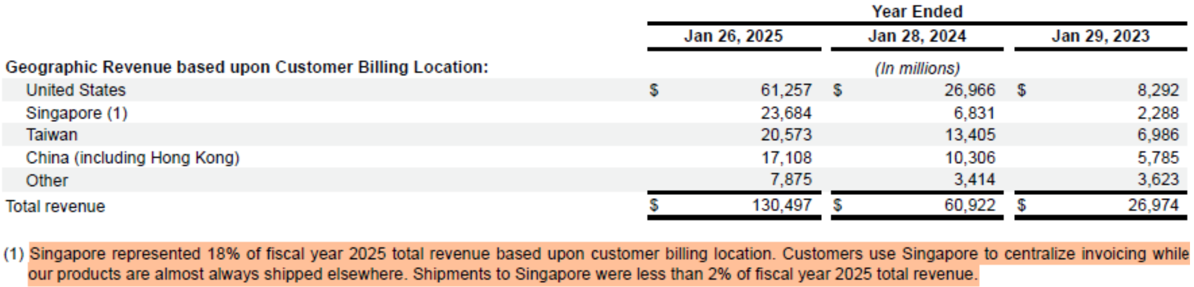
We have experienced periods where we receive a significant amount of our revenue from a limited number of customers, and this trend may continue. Sales to direct Customers A, B and C represented 12%, 11% and 11% of total revenue, respectively, for fiscal year 2025, all of which were primarily attributable to the Compute & Networking segment. With

This significant revenue concentration is something I flagged before since the company was forced to start disclosing it (likely upon the advice of its lawyers) a few quarters ago. However, what is interesting in the latest financials is the company admitting the presence of an “indirect customer” that is estimated to represent 10% of its revenues, some of which are purchased through Customer B which is clearly a distributor and very likely the troubled SMCI. Why can't this customer deal with the company directly and why does it have to buy so many Nvidia products indirectly? It is fair to question whether this is needed to circumvent sanctions, hence implying that Customer B is involved in questionable practices effectively shielding Nvidia from potential consequences.



several of these partners, we are selling multiple products and systems in our portfolio through their channels. Our operating results depend on sales to our partner network, as well as the ability of these partners to sell products that incorporate our technologies. We have a small number of partners that are involved in system integration with our key customers. As our system design becomes increasingly complex, system integrators may be unable to meet specifications of our key customers. Changes in our partners' or customers' business models or their ownership can reduce the number of partners available to us and harm our ability to sell our advanced data center systems to customers. In the future, these partners may decide to purchase fewer products, not to incorporate our products into their ecosystem, or to alter their purchasing patterns in some other way. Because most of our sales are made on a purchase order basis, our customers can generally cancel, change, or delay product purchase commitments with little notice to us and without penalty. Our partners or customers may develop their own solutions; our customers may purchase products from our competitors; and our partners may discontinue sales or lose market share in the markets for which they purchase our products, all of which may alter partners' or customers' purchasing patterns. Many of our indirect customers often do not purchase directly from us but through multiple OEMs, ODMs, system integrators, distributors, and other channel partners. For fiscal year 2025, an indirect customer which primarily purchases our products through system integrators and distributors, including through Customer B, is estimated to represent 10% or more of total revenue, attributable to the Compute & Networking segment. If end demand increases or our finished goods supply availability is concentrated near a quarter end, the system integrators, distributors, and channel partners may have limited ability to increase their credit, which could impact the timing and amount of our revenue. The loss of any of our large customers, a significant reduction in purchases by them, our inability to sell to a customer due to U.S. or other countries' trade restrictions, or any difficulties in collecting accounts receivable would likely harm our financial condition and results of operations.

The suspicion that Nvidia is indirectly involved in questionable sales practices is reinforced by the company's significant use of Singapore as a billing center that grew so big it could not be hidden anymore, and the disclosure has been sneaked as fine print in the current 10-K as you can see.

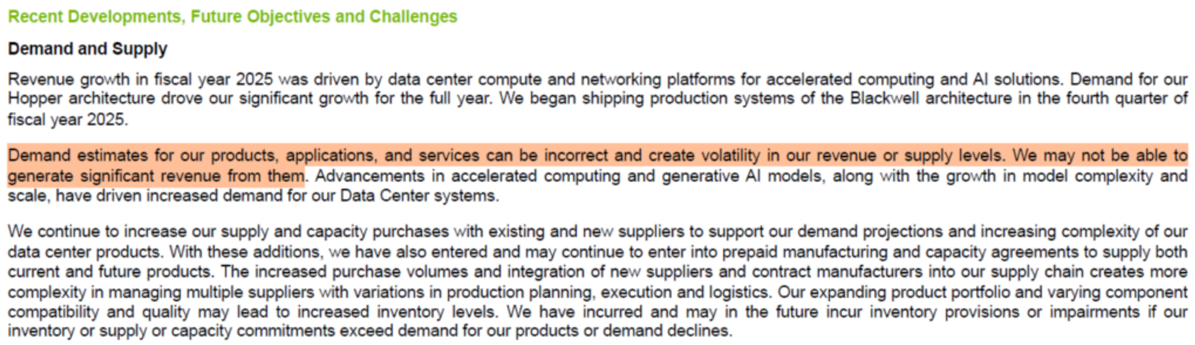


	Year Ended		
	Jan 26, 2025	Jan 28, 2024	Jan 29, 2023
Geographic Revenue based upon Customer Billing Location:		*(In millions)*	
United States	$ 61,257	$ 26,966	$ 8,292
Singapore (1)	23,684	6,831	2,288
Taiwan	20,573	13,405	6,986
China (including Hong Kong)	17,108	10,306	5,785
Other	7,875	3,414	3,623
Total revenue	$ 130,497	$ 60,922	$ 26,974

(1) Singapore represented 18% of fiscal year 2025 total revenue based upon customer billing location. Customers use Singapore to centralize invoicing while our products are almost always shipped elsewhere. Shipments to Singapore were less than 2% of fiscal year 2025 total revenue.

What Nvidia does not disclose yet is who its end customers are using Taiwan as a billing location similar to Singapore; all in all, the geography of ~51bn USD of Nvidia revenues (~40% of the total) is totally undisclosed and a big red flag on the company's operations.

Quite in contrast with the narrative Nvidia management has been pushing so hard to throw gasoline on traders' animal spirits, in the last 10-K another interesting disclaimer has been included stating that the company can be significantly impacted by mistakes in estimating demand for its products.



Recent Developments, Future Objectives and Challenges

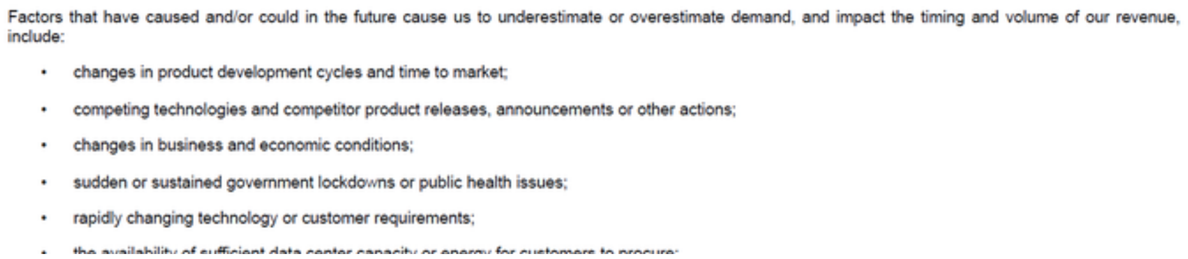
Demand and Supply

Revenue growth in fiscal year 2025 was driven by data center compute and networking platforms for accelerated computing and AI solutions. Demand for our Hopper architecture drove our significant growth for the full year. We began shipping production systems of the Blackwell architecture in the fourth quarter of fiscal year 2025.

Demand estimates for our products, applications, and services can be incorrect and create volatility in our revenue or supply levels. We may not be able to generate significant revenue from them. Advancements in accelerated computing and generative AI models, along with the growth in model complexity and scale, have driven increased demand for our Data Center systems.

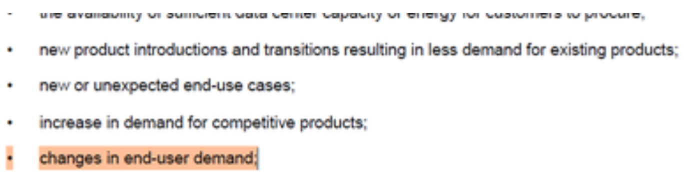
We continue to increase our supply and capacity purchases with existing and new suppliers to support our demand projections and increasing complexity of our data center products. With these additions, we have also entered and may continue to enter into prepaid manufacturing and capacity agreements to supply both current and future products. The increased purchase volumes and integration of new suppliers and contract manufacturers into our supply chain creates more complexity in managing multiple suppliers with variations in production planning, execution and logistics. Our expanding product portfolio and varying component compatibility and quality may lead to increased inventory levels. We have incurred and may in the future incur inventory provisions or impairments if our inventory or supply or capacity commitments exceed demand for our products or demand declines.

This concern is reinforced by another new disclaimer included and stating for the first time that there is a potential risk of "change in end-users demand."



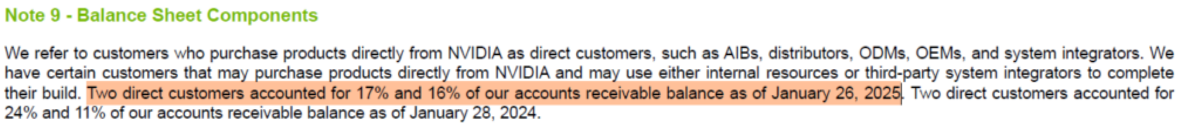
Factors that have caused and/or could in the future cause us to underestimate or overestimate demand, and impact the timing and volume of our revenue, include:

- changes in product development cycles and time to market;
- competing technologies and competitor product releases, announcements or other actions;
- changes in business and economic conditions;
- sudden or sustained government lockdowns or public health issues;
- rapidly changing technology or customer requirements;
- the availability of sufficient data center capacity or energy for customers to procure;



- the availability of sufficient data center capacity or energy for customers to procure;
- new product introductions and transitions resulting in less demand for existing products;
- new or unexpected end-use cases;
- increase in demand for competitive products;
- changes in end-user demand;

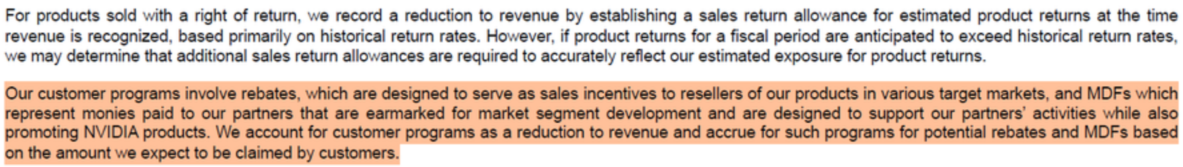
Another significant red flag is the substantial increase in Accounts Receivables from ~10bn USD to ~23bn USD during the year, paired with a jump in DSOs (Days sales outstanding) to 53 days versus a range of 35-40 days in the last 4 quarters. Furthermore, 33% of the Accounts Receivables relate to only 2 direct customers which combined owe Nvidia ~7.6bn USD.



Note 9 - Balance Sheet Components

We refer to customers who purchase products directly from NVIDIA as direct customers, such as AIBs, distributors, ODMs, OEMs, and system integrators. We have certain customers that may purchase products directly from NVIDIA and may use either internal resources or third-party system integrators to complete their build. Two direct customers accounted for 17% and 16% of our accounts receivable balance as of January 26, 2025. Two direct customers accounted for 24% and 11% of our accounts receivable balance as of January 28, 2024.

This significant increase in Accounts Receivables is surely due to Nvidia's practice of accommodating rebates and sales incentives to its resellers, a need that is quite strange when Nvidia management does not miss the chance to declare how tight the supply is for its products along with overwhelming demand for it, isn't it?



For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to accurately reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and MDFs which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners' activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for such programs for potential rebates and MDFs based on the amount we expect to be claimed by customers.

At this point, it is undeniable that the "dark corners" in Nvidia financials (THE DARK CORNERS OF NVIDIA 10-Q REVEAL THE EXTENT OF

THE NVIDIA FRAUD) are a clear sign that the company has to increase its efforts to cover up the extent of the fraud it has been perpetrating and the future legal risks associated with it, especially when the US Supreme Court refused to dismiss investors' lawsuit against Nvidia for a security fraud the company perpetrated in 2018 (US Supreme Court dismisses Nvidia's bid to avoid securities fraud suit) and that represents a dangerous precedent for the company that will surely have to defend itself from new and similar allegations that will surface in the future.

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WILL COREWEAVE MARK THE END OF INITIAL FRAUD OFFERINGS?

Dario

7–9 minutes

Recent years have been characterized by an unusual spike in the number of companies listed on the public stock market that ended up filing for Chapter 11 shortly after. Notable cases include WeWork, Lordstown Motors, ELMS, Bird Global, Proterra, and Nikola. While some companies were simply bad businesses, others like WeWork or Nikola were outright frauds. Did this trend ring any alarm bells at the SEC offices? No, it didn't, which is why investment banks kept trying to profit from dumping toxic companies into the public market to pocket fat fees and benefit their prized big institutional clients. However, after being burned repeatedly, unlike regulators, investors started to back off from "fomoing" on these offerings, and as a result, the market flow has significantly collapsed in recent times. The implosion of CoreWeave's attempt to IPO might mark the end of this trend and potentially trigger significant problems for private equity funds that bet billions of USD on questionable (to say the least) companies.

9 months ago in "IS MAGNETAR CAPITAL BLOWING AIR INTO THE NVIDIA (PONZI) SCHEME SO THEY CAN BET ON ITS IMPLOSION?" I wrote about how a little-known hedge fund to the general public that during the GFC structured billions of toxic CDOs (sold by banks to

customers so Magnetar could bet on their implosion and pocket billions in profits) was potentially trying to replicate the same trade through CoreWeave. Now that the S-1 has been filed, we can tell for a fact that CoreWeave, like the CDOs structured decades ago, is an outright fraud.

Let’s start with the list of related party transactions with Magnetar Capital.

1 – AI Computing Service Reserved Capacity and Prepayment Agreement

In August 2024, CoreWeave and a Magnetar fund entered into a “MagAI capacity agreement” where the fund agreed to purchase computing capacity for its portfolio companies from CoreWeave, which is also a portfolio company. According to the agreement, Magnetar paid a 230 million USD refundable deposit to CoreWeave to purchase future capacity at predetermined rates. Considering that CoreWeave disclosed it receives ~20% deposits from customers to lock in future computing capacity, with this agreement, Magnetar effectively created 1.15 billion USD of potential future revenues for CoreWeave, since as of December 31, 2024, CoreWeave had provided no service.

As if what I just described wasn’t already troubling, what comes next is even juicier

2 – In June 2024, CoreWeave invested 50 million USD in the Magnetar AI

Venture fund (MAIV), which two months later was exactly the same fund that purchased future computing capacity from CoreWeave itself!

3 – Magnetar helped arrange two loan facilities in 2023 and 2024 for CoreWeave for 2.3 billion and 7.6 billion USD respectively to finance the purchase of GPUs that would later be pledged as collateral for the very same loans. Magnetar acted as arranger of both facilities, meaning it pocketed millions in fees upfront while also underwriting part of the loans itself that are costing the company an average interest rate of 10%+. Hold on a second, how is it possible that a collateralized loan with such prized collateral like Nvidia GPUs has been granted at a spread equivalent to that paid by a Single B-rated company? Kind of weird, isn't it? Clearly "the math isn't mathing" here.

Now it's time to put Nvidia and Microsoft in this picture, the two companies that have been perfecting the most sophisticated revenue round-tripping scheme of all time in recent years (HOW TO FABRICATE REVENUES FOR DUMMIES).

After I wrote thousands of words about it for more than a year, this past week The Information "shocked" the investors' public with this article: "Project Osprey:' How Nvidia Seeded CoreWeave's Rise".

Here is what Nvidia did:

- In 2023 Nvidia invested 100 million USD in CoreWeave
- In 2023 alone CoreWeave spent 380 million USD to purchase hardware from Nvidia, with the amount likely in the billions in 2024.
- In 2023 Nvidia committed to rent CoreWeave chips and servers for a total of 1.3 billion USD until August 2027

So basically, Nvidia gave money to CoreWeave so they could have the funds to place an order for Nvidia GPUs, while at the same time, Magnetar was arranging a very expensive loan facility to allow CoreWeave to settle the remaining payment with Nvidia, which committed to renting its own chips from CoreWeave so the company could have revenues to pay the interest on this loan facility. If this isn't fraudulent revenue fabrication, I don't know what else it could be, my dear reader.

What about Microsoft? The biggest customer of Nvidia for the number of GPUs purchased in 2023 and 2024 (by far) entered into an agreement with CoreWeave in 2023 to rent the company's servers, ending up accounting for 35% and 62% of CoreWeave's total revenues for 2023 and 2024 respectively. Hold on a second, isn't Microsoft Azure a direct competitor of CoreWeave? Of course, it is, and here is how the company describes it in the S-1:

"Our primary competitors are larger, global enterprises that offer general purpose cloud computing as part of a broader, diversified product portfolio. Key companies in this category are Amazon (AWS), Google (Google Cloud Platform), IBM, Microsoft (Azure), and Oracle. While these businesses have greater resources than us across sales and marketing and research and development, and benefit from broad brand awareness, they are not purpose-built for the AI and accelerated compute use cases that we serve. As a result, some of these very competitors have become customers of, and partners to, CoreWeave in a number of cases, demonstrating our competitive differentiation and ability to deliver highly performant, purpose-built infrastructure that outperforms existing general purpose cloud solutions today"

Now please explain to me how Microsoft, which bought the exact same GPUs and server infrastructure as CoreWeave, does not have data centers "purpose-built for AI and accelerated compute use cases". This is, of course, a lie. What's the truth then? One potential explanation is that Microsoft is coordinating with Nvidia to fabricate high demand and scarcity for GPUs in the market to claim to their investors that there was huge potential for their own respective services and products for many years ahead. Unfortunately for them, the illusion is becoming more and more expensive to sustain considering that, incredibly, it has already surfaced that Microsoft has recently been cutting orders for future renting of CoreWeave computing power (Microsoft drops some CoreWeave services ahead of $35bn IPO). This news was, of course, denied by CoreWeave since this bombshell from the Financial Times significantly undermined the success of its IPO.

At this point, there should not be any more doubt about the fraudulent nature of CoreWeave, which represents one of many examples of startups used by hyperscalers to greatly inflate their revenues and valuations through the years. This scheme isn't indeed an isolated case; another prominent one is OpenAI, as I documented in: THE SMOKING GUN THAT PROVES HOW OPENAI IS MICROSOFT'S REVENUES LAUNDROMAT.

Where is the regulator in all of this? Personally, I have no idea, but I can guarantee you it won't end well, and perhaps after DeepSeek, CoreWeave's Initial Fraud Offering implosion will be another step toward the overall collapse of the whole fraudulent AI Narrative sold to investors for many years.

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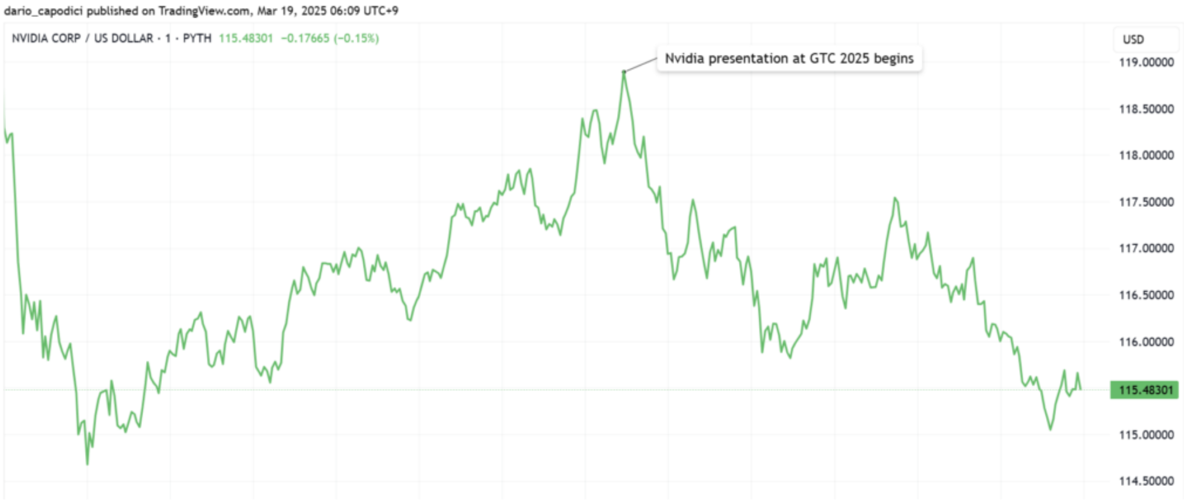
THE NVIDIA FAKE AI NARRATIVE IS OFFICIALLY OVER

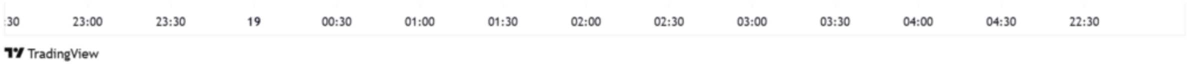
Dario

7–8 minutes

This year's GTC 2025 confirmed what many observers already realized back in January after Jensen Huang's presentation at CES 2025: the AI Narrative cultivated by Nvidia since 2021 doesn't trigger the same excitement that it used to anymore. This narrative, based on the prospect of the nearly infinite potential of AI and how this required the buildup of an incredible amount of tech infrastructure, wasn't even novel but a recycled one after the first attempt to make it mainstream failed in 2016, as I wrote about more than one year ago in the article "NVIDIA, ITS RECYCLED 'AI REVOLUTION' AND THE DARK SIDE OF IT KEPT AWAY FROM THE PUBLIC".

While previously investors could not wait to hear Nvidia's CEO showcasing the latest novelties from the company and kept bidding the stock higher and higher during the pitch, today, in stark contrast with the recent past, Nvidia stock peaked intraday when Jensen started to speak, and the selling was constant until the end of the trading session.





For more than 2 hours, Nvidia's CEO did not spare any effort to double down on all the elements he had already presented in January that did not fly even then, even before DeepSeek took all hyperscalers totally by surprise by developing a leading AI model that beat all the best-performing ones until then and was delivered for a fraction of the money spent by the likes of OpenAI, Google, or Meta. Here are what I believe are the most remarkable Jensen's quotes, not in a positive way, from this year's Nvidia presentation at GTC:

- "When you use ChatGPT today you have to wait longer and longer because many people are using it"
- "I expect data center build out to reach 1 trillion USD worldwide"
- "Every company in the future will have a physical factory for the product and another factory to generate AI"
- "We are super proud of CoreWeave going public"
- "General Motors selected Nvidia to build its fleet of autonomous vehicles"
- "This is the most extreme GPUs scale up ever built, the reason why we wanted to do this is to solve an extreme problem called inference"
- "The smarter the AI the less money you can make with Volume, we are

trying to bend this curve”

- “Blackwell is 40 times more powerful than Hopper”
- “If you buy Hopper is a revenue incinerator”
- “The more GPU you buy the more money you make”

Starting from the first quote, it is already obvious how Jensen, who is famous for it, was blatantly lying, considering that it is now public knowledge how OpenAI is experiencing a significant number of subscription cancellations because clients are switching to equivalent (if not better) and way cheaper alternatives provided by the likes of DeepSeek and xAI.

The second lie was even more significant, considering how DeepSeek, Alibaba, Baidu, and even Google demonstrated to the whole world how cutting-edge AI models can be developed with a limited number of GPUs (“Gemma 3: Google’s new open model based on Gemini 2.0“). The goal here is obvious: continue to convince investors that there will be a need for hundreds of thousands more GPUs provided by Nvidia to develop AI applications. The third quote followed along the lines of the second one, overlooking the straightforward thought that comes to mind when hearing those words: wouldn’t that represent a marked increase in operating costs for all those companies deciding to build parallel “AI factories” along with the ones they need to produce their goods?

Considering the developments of recent days since CoreWeave filed its S-1 ahead of its plan to IPO, stating to be proud of CoreWeave is quite a misplaced cheap advertisement for a company Nvidia is heavily invested in, but it is such an obvious fraud ("WILL COREWEAVE MARK THE END OF INITIAL FRAUD OFFERINGS?").

The fifth quote was by itself a big wink to the Trump administration; however, it did not trigger the market reaction such an announcement would have done before, with GM barely moving and ending up the trading day down 0.67%. This on its own should be such a warning bell for all Nvidia clients and partners that previously saw their shares jumping by very large amounts as soon as their names started to be associated with Nvidia.

The sixth quote is once again a poor attempt to steer investors' attention away from the fact that DeepSeek showed the whole world how there is no need whatsoever for any "extreme" AI infrastructure to develop cutting-edge AI models and platforms.

The remaining quotes after the first six are such a desperate attempt to convince the market that Blackwell is doing great and is such a revolutionary GPU that greatly overshadows all the hundreds of thousands produced and sold by Nvidia so far. It would be very interesting to know what crossed Nvidia clients' minds once Jensen, who was presenting without the help of a teleprompter, stated that "Hopper is a revenue incinerator". If Hopper is such a poor product, what's then the real value of those hundreds of thousands of GPUs all hyperscalers spent tens of billions of USD to purchase and are now sitting on their balance sheets at a cost clearly far greater than their real value? Fairly speaking, if Jensen is truthful here, all those hyperscalers should immediately write off the value of their investments for a significant amount, resulting not only in big losses in their financial statements but also in an assured upset of their investor base that will certainly be far from happy for the incredible amount of CAPEX gone up in flames.

At this point, I hope we all agree that the AI Narrative which greatly benefited Nvidia until 2025, a fake narrative carefully crafted to manipulate investors' future expectations about the potential of the company and all its clients and partners, is now officially over. What just happened was likely a Minsky Moment for many investors who clearly are not falling anymore for all the rosy words coming from Nvidia's direction and who have already been gradually scaling back their exposure towards the name. There is still a large crowd of believers still supporting Nvidia, but even this one is starting to question its convictions the longer Nvidia's share price underperforms the broader market. Once even these remaining believers come to the realization that Nvidia's future will not be as hyperbolic as the company convinced them it would be, a significant amount of selling will start to hit Nvidia shares that are doomed to crash back to earth to a market capitalization similar to that of its direct competitors like AMD that, differently from Nvidia, did not push expectations to the extreme and neither cooked their books using a highly sophisticated revenue round-tripping scheme and questionable accounting practices in recent years.

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NVIDIA’S ARTIFICIAL EMPIRE IS NOW CRUMBLING

Dario

5–7 minutes

The dominoes are now falling with brutal efficiency. In one devastating week, the U.S. government severed Nvidia’s China revenue artery while TSMC plunged a 30% cost dagger into its margins. This isn’t coincidence – it’s causation. I have warned since 2024 that Nvidia’s “AI supremacy” was a carefully crafted mirage. The H20 ban with only a ~$5bn write-off loss announced by the company as a consequence proves what I exposed for years, the last time in "THE NVIDIA FAKE AI NARRATIVE IS OFFICIALLY OVER" – their China strategy was always a shell game. TSMC's price hike confirms what I address in "THE REAL ERA OF AI BEGINS, THE ONE OF THE AI CHARLATANS ENDS" about shifting power dynamics. Together, they expose the ugly truth: Nvidia's record margins weren't won through innovation but through supply manipulation and geopolitical gambling.

The math is now unforgiving:

China's 25% revenue share vanishes into thin air exactly as production costs skyrocket. The "growth engine" that analysts worshipped was really a house of cards built on artificial scarcity and export loopholes, and Nvidia has no moves left. Furthermore, it is naive not to expect U.S. regulators to take a closer look at Nvidia's international operations; this will likely end in a steep fine for breaching U.S. export control rules for years.

What comes next will be brutal. Earnings guidance will implode. Inventories will balloon. Lawsuits will multiply. Because when your business model depends on everyone playing along – regulators, suppliers, investors – the collapse is spectacular when they stop. The consequences are immediate and severe. China represented approximately 25% of Nvidia's official data center revenue, a revenue stream that has now evaporated without warning. More troubling is

Nvidia’s apparent lack of contingency planning; no alternative markets exist at a sufficient scale to compensate for this sudden shortfall while the company, like a broken record, kept claiming they had “overwhelming demand” and were dealing with “tight supply”.

In many articles (all archived here), I exposed the artificial nature of Nvidia’s “record” sales, which were sustained not by genuine demand but through carefully orchestrated supply constraints and accounting shenanigans. The coming inventory glut will lay bare this discrepancy, as warehouses fill with products that no longer have a market.

The strategic implications extend far beyond quarterly earnings. This episode reveals fundamental flaws in Nvidia’s business model: an overreliance on geopolitical maneuvering rather than technological differentiation.

Market observers now face serious questions: How will Nvidia explain this strategic miscalculation to shareholders? What valuation adjustments will be necessary when artificial scarcity can no longer prop up margins? And most critically: does Nvidia possess the innovative capacity to survive in a market that increasingly values genuine technological advancement over financial engineering?

The reckoning has arrived. The only uncertainty is how deep the damage will go. Now, watch as the market learns what we’ve known for years –

that Nvidia's throne was made of paper- and the storm has arrived.

TSMC's uppercut punch

Just as Nvidia reels from the China export ban, TSMC has delivered a devastating second blow—a 30% price increase for U.S. FAB production that will eviscerate Nvidia's already precarious margins.

The mathematics are brutal: Nvidia now faces catastrophic cost inflation from its sole supplier while simultaneously losing 25% of its data center revenue. Nvidia's predicament reveals an uncomfortable truth: After years of dictating terms to the supply chain, the company will now be at the mercy of TSMC's pricing power. With no alternative manufacturing options and dwindling revenue streams, Nvidia's much-touted gross margins—already inflated by artificial scarcity and accounting shenanigans—face imminent collapse.

Legal Reckoning

As I revealed in "NVIDIA MANAGERS KNOW LAWSUITS ARE COMING AND ARE PREPARING TO DEFEND THEMSELVES", company leadership has been preparing legal defenses for precisely this scenario. The reason is clear: The combination of evaporating China revenue and TSMC's pricing power creates an earnings disaster that even Nvidia's "aggressive" accounting cannot conceal.

Nvidia just issued its first profit warning—a scenario accurately predicted four months ago in “THE COUNTDOWN TO NVIDIA PROFIT WARNING”. More damningly, the U.S. export ban exposes Nvidia’s dangerous dependence on regulatory arbitrage, inviting both shareholder litigation and regulatory scrutiny, as I highlighted in the paragraph above.

Conclusion

Nvidia now faces its existential crisis:

- In the short term, expect violent earnings revisions as $7-10 billion in annual revenue disappears overnight while production costs skyrocket.
- In the long term, prepare for a fundamental valuation reset as markets finally recognize that Nvidia’s “AI dominance” was built on geopolitical arbitrage and supply chain manipulation rather than durable competitive advantages.

The only remaining question is how far the stock must fall before reaching equilibrium with reality—and whether Nvidia can survive the landing.

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